

**ANNUAL REPORT**  
2009



 **EUROTECH**



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EUROTECH S.p.A.  
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## Letter to Shareholders

Dear Shareholders,

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

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

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

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

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

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

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

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

The year ended with consolidated revenues of 83,5 million Euro, with a single digit percentage turndown with respect to 2008, in line with tendency shown throughout 2009. The reduction of revenues is largely linked to the crash of investments in the semiconductor sector, where there was a world-wide reduction of 50% in new production plant expenditures. Regarding the other markets in which the Group operates, revenues were almost the same and if we exclude from proceeds sales in the semiconductor sector, we experienced revenues nearly in line with 2008. The Gross Profit Margin was 51,4%, a result

that confirms Eurotech's capacity to put into practice a business model based on valued products. The difference from 55% of 2008 can be explained by a mix of products sold considerably different, a result of the reduction of the relative weight of Japanese sales revenues and the increase in the US zone.

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

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

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

The world economy in the beginning of the year is still subject to some aftershocks. Many at the beginning of 2009 expected a shorter and less serious economic crisis with signs of recovery by the second half of last year. Caution is therefore mandatory and it is important to have flexible strategies and to take quick action. Again this year we will be committed to make the Group even more efficient and effective, and in particular we will concentrate on the optimization of our operations in Asia, after 2008 when we focused on USA and 2009 when Europe was the focus.

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

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

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

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

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

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

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

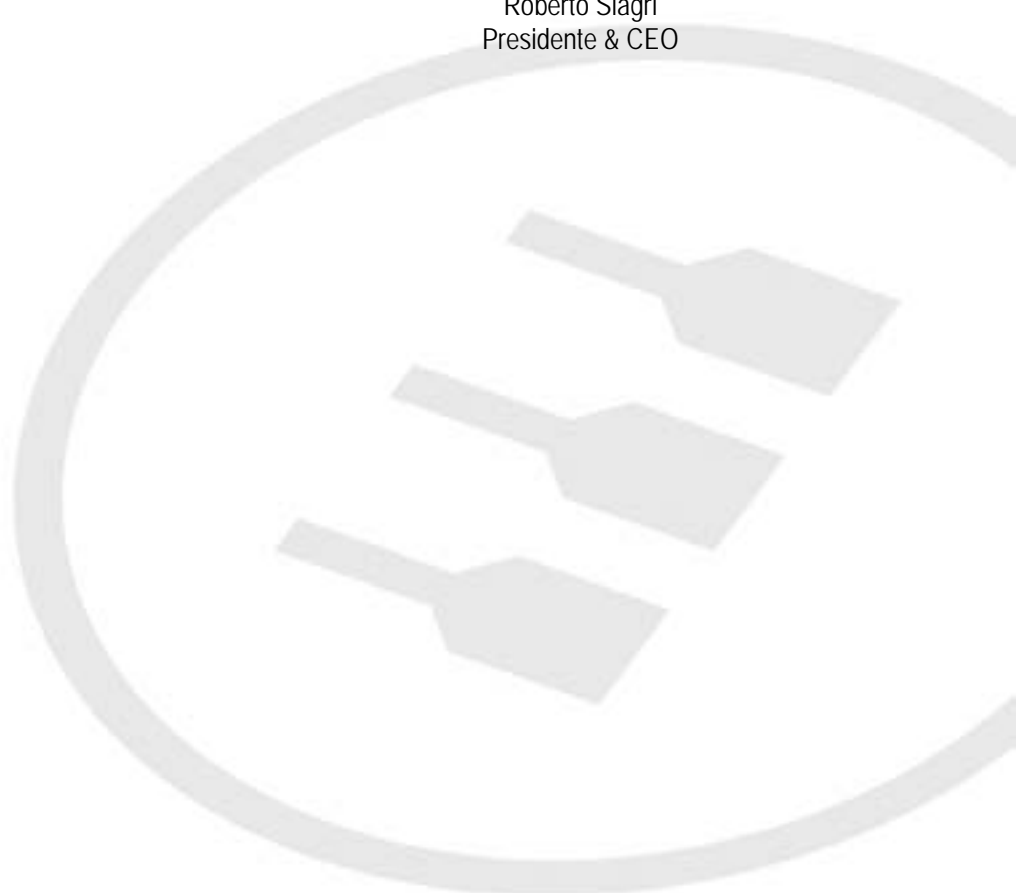
We are witnessing the surpassing of the classic limits of the net that, coming out of the digital world, connect to the real world: tag and sensors in fact, paired to objects, can unequivocally identify the object and gather information in real time about environmental and functional parameters. With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

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

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

March 16th 2010

Signed by  
Roberto Siagri  
Presidente & CEO



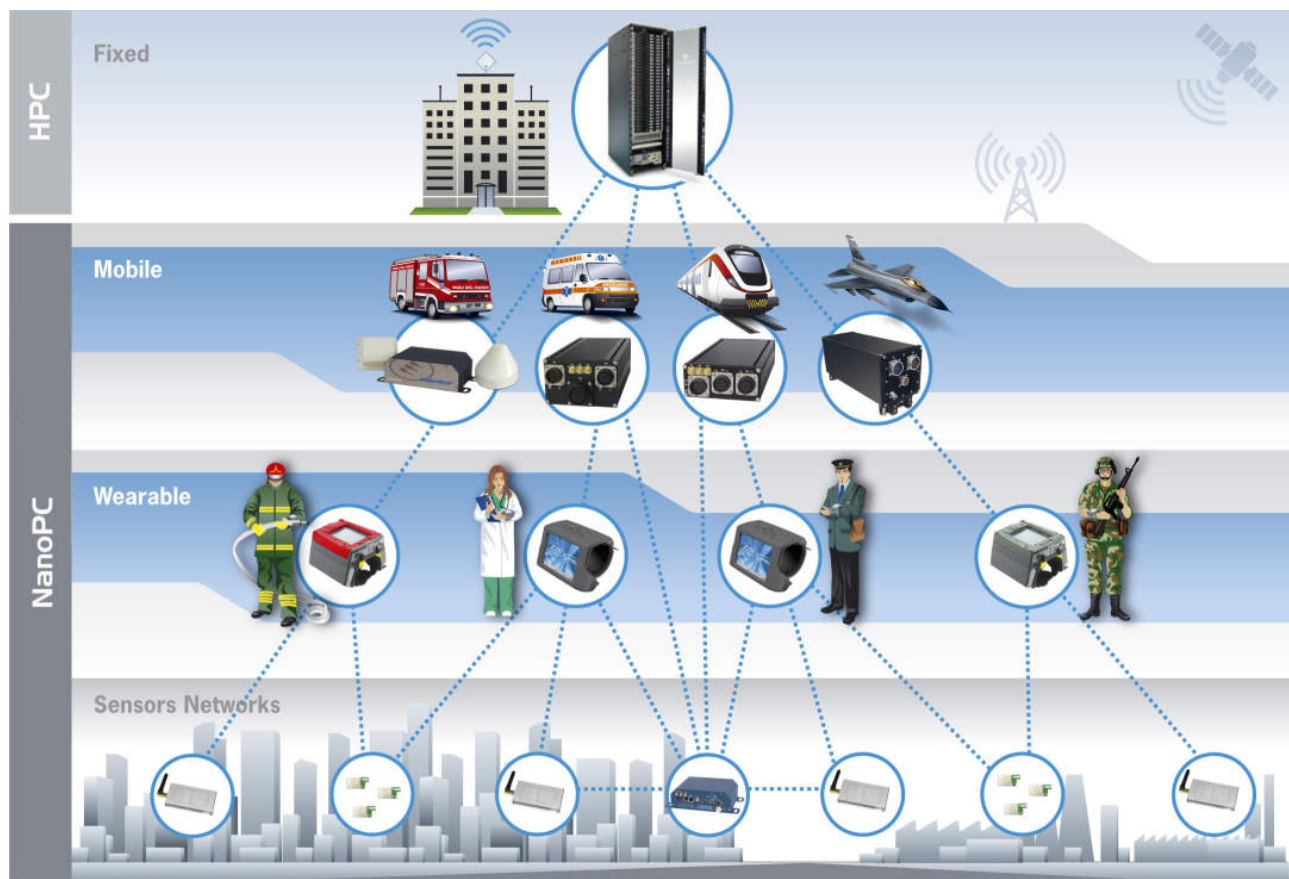
## Eurotech Group Profile

### 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 over 85% of its sales are generated outside Italy.

The technological paradigm followed by Eurotech is "pervasive computing" or "ubiquitous 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.

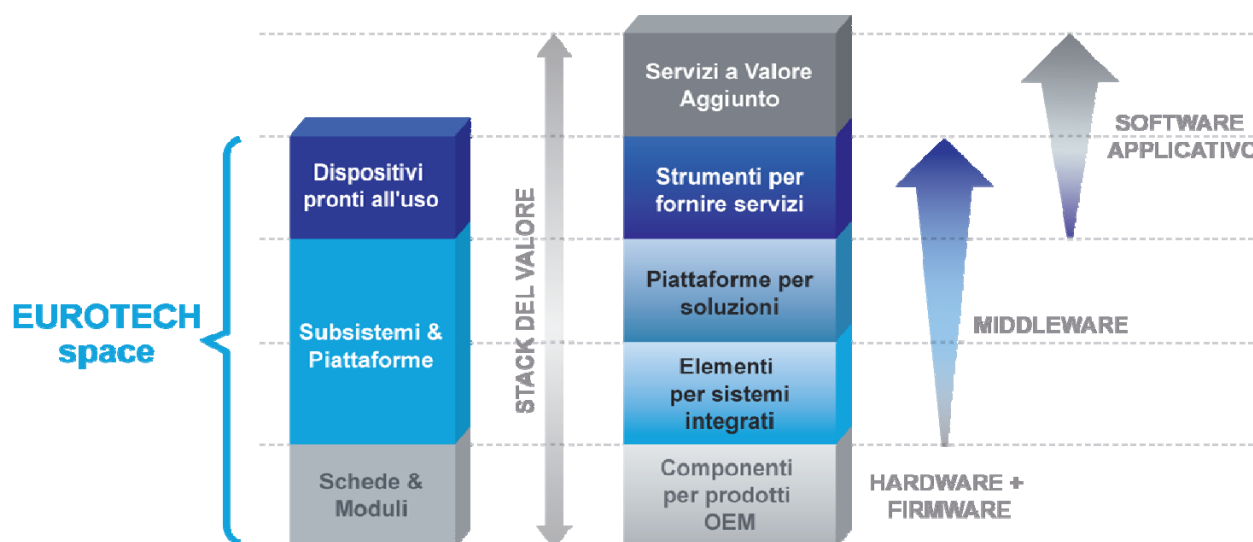
In this perspective, Eurotech engages in research, development, marketing and selling of miniaturised computers for special uses (NanoPC) and of supercomputers with high computing capacity (HPC). NanoPCs and HPCs are the two major classes of devices that, by connecting to and co-operating with each other,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





NanoPCs can also assume the form of system-on-chips (SoC), and thus have the dimensions of a small coin; for example, this is the case of intelligent sensors, also called “smart dust.”

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 and medical 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 that are created through the massive interlinking of high performance, low power 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 as measured by market standards
- a fabless production model
- evolution of its business model towards ready-to-use products (in 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 producers. 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 software developer from the hardware), and even to ready-to-use devices (products already able to perform a specific function and which do not require any programming).

The last – but not least important – component of the business model is the network of external relations with universities and research centres. This “knowledge network” fuels innovation and helps to keep Eurotech solutions at the state-of-the-art level of technologies and standards available.



## The Eurotech Group in figures

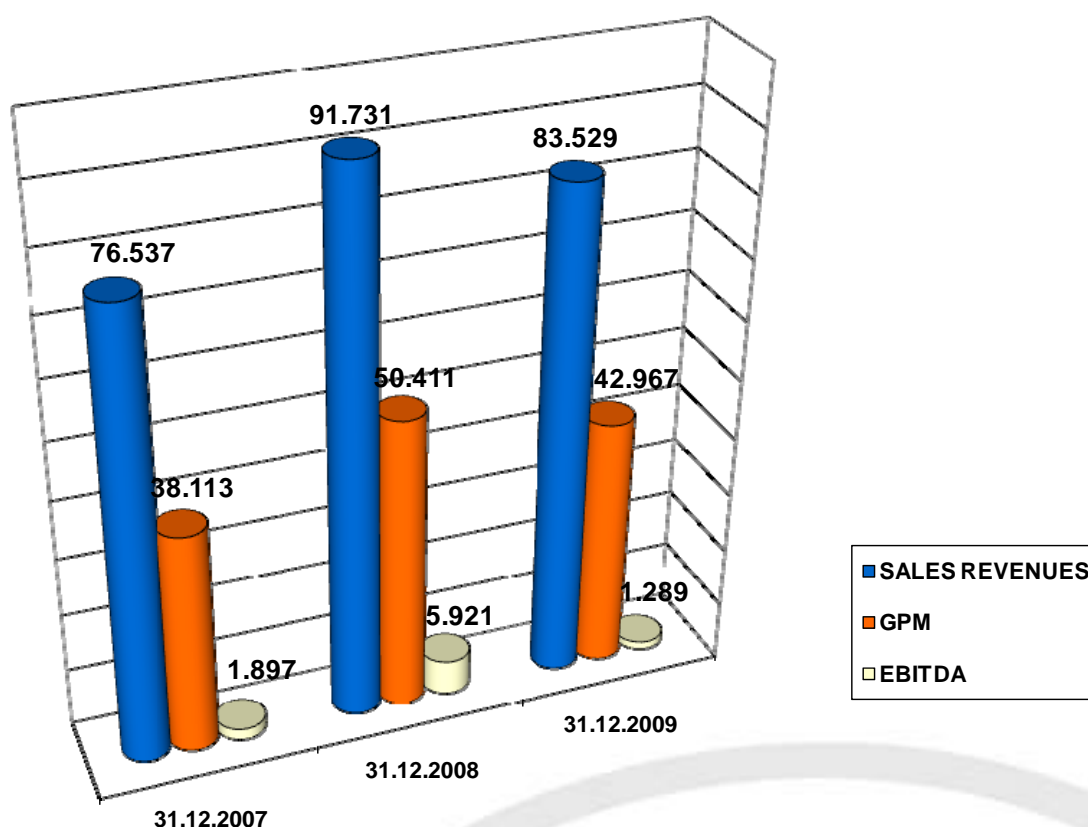
### Introduction

The Eurotech Group's business and financial results for FY2008 and comparative periods have been drawn up according to the international accounting and financial reporting standards (IASs/IFRSs) 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

	FY 2009	%	FY 2008	%	FY 2007	%
<b>OPERATING RESULTS €'000</b>						
SALES REVENUES	83,529	100.0%	91,731	100.0%	76,537	100.0%
GROSS PROFIT	42,967	51.4%	50,411	55.0%	38,113	49.8%
EBITDA	1,289	1.5%	5,921	6.5%	1,897	2.5%
EBIT (*)	(6,632)	-7.9%	(13,524)	-14.7%	(4,114)	-5.4%
PROFIT (LOSS) BEFORE TAXES	(8,991)	-10.8%	(15,679)	-17.1%	(4,159)	-5.4%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	(9,601)	-11.5%	(12,708)	-13.9%	(4,922)	-6.4%

(\*) The difference between EBIT and EBITDA is caused mainly by the non-monetary effects of price allocation following the acquisition of Applied Data Systems Inc. (ADS), the Arcom Group and the Advanet Group and the non-monetary effects of writing down the ADS and Arcom brands.



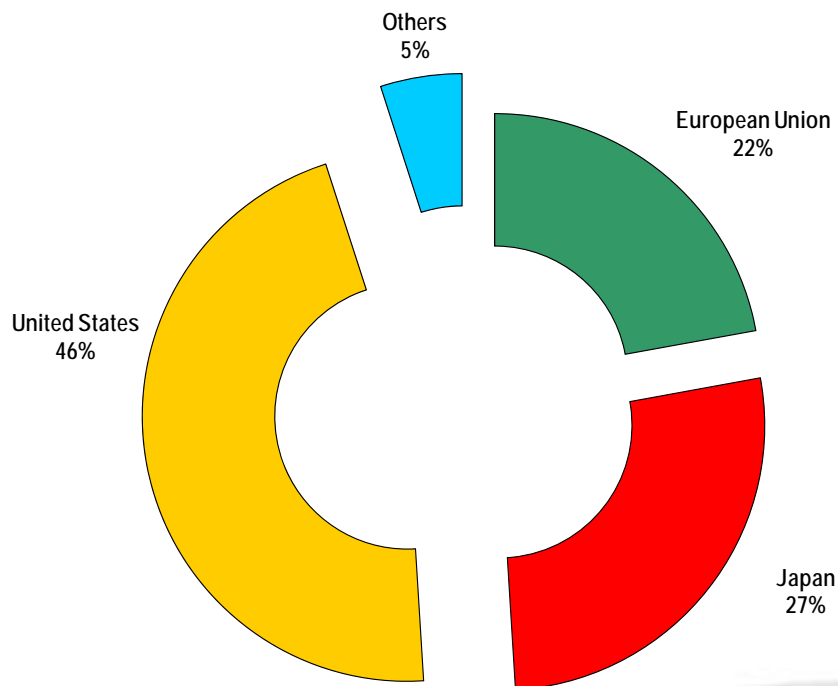
### Revenues breakdown by business segment

(€000)

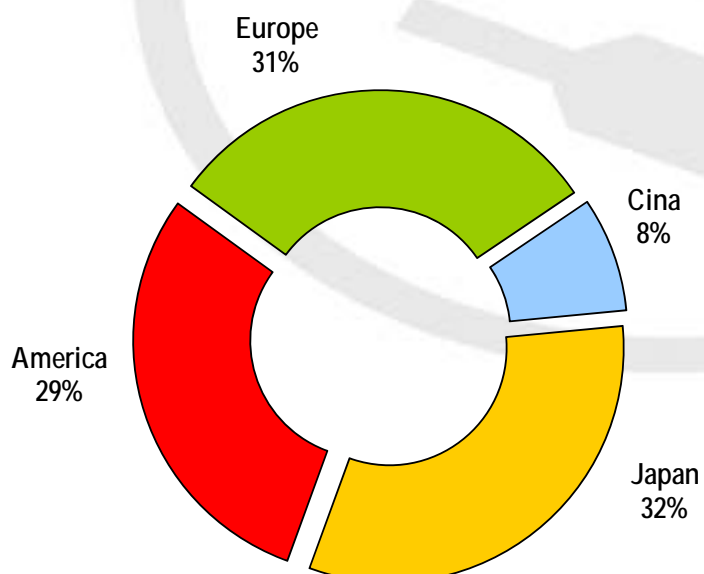
	NanoPC			High Performance Computer			Total		
	FY 2009	FY 2008	% YoY Change	FY 2009	FY 2008	% YoY Change	FY 2009	FY 2008	% YoY Change
Sales revenues	82,682	91,413	-9.6%	847	318	166.4%	83,529	91,731	-8.9%

SALES BY BUSINESS SEGMENT	FY 2009	%	FY 2008	%	FY2007	%	FY 2006	%
NanoPC	82,682	99.0%	91,413	99.7%	74,385	97.2%	46,109	90.8%
High Perf. Computer	847	1.0%	318	0.3%	2,152	2.8%	4,650	9.2%
AND SERVICE REVENUE	83,529	100.0%	91,731	100.0%	76,537	100.0%	50,759	100.0%

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

*FY2009 sales revenues breakdown by geographical area**Group employees*

	FY2009	FY2008	FY2007	FY2006
EMPLOYEES	530	586	624	286

*FY2009 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 industry

- 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 (of Lyons), 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 green shoe, 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 Istituto de Biocomputation y Fisica de Sistemas Complejos (BIFI) at Zaragoza, Zaragoza University, the Istituto 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** 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 prestigious 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 completion of the merger of Arcom and ADS. Gregorio Nicoloso is appointed to head the new company Eurotech Inc., assuming the post of Chief Executive Officer. Arlen Nipper, former Chairman of Arcom, is named Chairman and Chief Technology Officer.

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 after the outgoing shareholders resign as Eurotech directors, the Eurotech Board of Directors co-opts the following three new directors: Filippo Bagnato, Giovanni Soccodato and Maurizio Tucci.

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.

Five software developers on the Eurotech software team working in the Pervasive Computing business unit based on Microsoft Windows Embedded technologies qualify as "Microsoft Certified Technology Specialists: Windows Embedded CE 6.0 Developers".

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.

Eurotech Inc. acquires responsibility for the transport sector in the United States, taking over all the accumulated experience of Parvus, the Group's other US subsidiary. With this transition, Eurotech Inc. implements a targeted strategy in the transport sector, and Parvus consolidates its focus on its target markets, defence and security.

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.



## Significant events in 2009

### January

#### *Eurotech Software Developer receives Microsoft MVP Award*

Luca Calligaris, an engineer in the Software department at the Amaro site, receives the prestigious Microsoft Most Valuable Professional (MVP) award for 2009, thanks to his extensive contribution to the Windows CE newsgroup and his support for Windows Embedded developers. Luca joins other certified Windows Embedded developers at Eurotech, such as Eitman Bruce, Gary An, Todd Krochta and Luca Della Ricca. Bruce Eitman, Technical Director of the Eurotech Windows CE group and a Microsoft MVP for the last seven years, again has received the award in 2009.

#### *Eurotech receives the Platinum Award 2008 from VDC Research Group in the category Embedded Board Vendor*

End-users place Eurotech at the highest level (platinum), based on more than 45 assessment criteria. The award, now in its fifth year, is the result of in-depth research conducted by VDC with the main users of embedded boards and underlines Eurotech's ability to provide a high-quality, comprehensive service to users of its solutions. From the list of 45 criteria, users identified those that were most important for them, and rated the providers of embedded boards with which they work based not only on price, but also on areas such as technical support, experience, reliability, etc. VDC placed the suppliers that obtained the best scores for the most important criteria in the Platinum category.

### FEBRUARY

#### *Eurotech joins PROSPECT, a prestigious European association for supercomputing*

Eurotech become a member of PROSPECT e.V. (PROmotion of Supercomputing and PEtaComputing Technologies), a leading European consortium for the development and use of next-generation supercomputers. PROSPECT is led by three institutes that are among Europe's biggest "consumers" of supercomputers: the Jülich Supercomputing Centre, the Barcelona Supercomputing Centre and the Leibniz-Rechenzentrum Garching. The association's aim is to develop a European technology platform for HPC, to strengthen Europe's position in the global arena, with installations of the order of petaflops and exaflops.

### MARCH

#### *Eurotech signs an agreement with RSC, PSI and Intel for the development of the Russian and European supercomputer markets*

Eurotech announces a scientific, industrial and commercial partnership agreement to target the growing market for supercomputers in Russia, the CIS and Europe. The partners in the agreement are:

- RSC SKIF, a Russian company active in design, development, production and marketing in Russia and the CIS
- the Program Systems Institute (PSI), which is the most important research institute for high-performance computing at the Russian Academy of Sciences (RAS), which will provide technical and scientific support for the development of supercomputer solutions
- Eurotech, which will make available its brand new supercomputer architecture (Aurora), and will be responsible for designing and manufacturing the machines
- Intel, which will support the partners by providing processors and helping them with development and marketing activities

### JUNE

#### *Eurotech unveils Aurora, the new supercomputer that sets a new benchmark in high-performance computing*

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 ground-breaking Aurora supercomputer removes the bottlenecks that limit the performance, efficiency and scalability of traditional systems. The advanced technology on which it is based makes possible unprecedented levels of performance, setting records for reducing the carbon footprint and slashing the TCO (total cost of ownership) for installations of any size, offering energy savings of 60%. An interesting innovation is the direct liquid cooling system, which eliminates vibrations and rotating parts, and provides precise control of the temperature of components. Aurora is one of the most environmentally-friendly HPC systems available: its efficient architecture saves energy, eliminating the additional costs associated with traditional cooling systems, and uses the available wattage to the full.

## **JULY**

### *Parvus DuraCOR 820 receives Editor's Choice Award from Military Embedded Systems Magazine*

Military Embedded Systems magazine, providing technical coverage of COTS technology over the whole programme lifecycle, selects the DuraCOR 820® for its coveted Editor's Choice Award. The DuraCOR 820 serves as an ideal high-performance computing subsystem for space/weight-conscious manned and unmanned systems. Chris Ciuffo, OpenSystems Media Group Editorial Director and Editor of Military Embedded Systems magazine, has selected the DuraCOR 820 for the award because of the system's extensive rugged capabilities.

### *First order for a supercomputer based on the Aurora architecture*

Eurotech receives an order worth EUR 1.2 million for a supercomputer based on Aurora, its new HPC architecture. The order materializes just one month after the big success achieved by the innovative Aurora platform at the 2009 International Supercomputer Conference (ISC) in Hamburg.

## **AUGUST**

### *Advanet invests in contactless testing for displays and solar cells*

Eurotech announces the acquisition by its Japanese subsidiary Advanet Inc. of a 40% stake in a new company established in Japan under the name Union Arrow Technologies Inc. (UAT) for JPY 32 million (around EUR 235,000). This new company will design and sell contactless testing machines for the flat panel display, OLED display and solar cells sectors. Immediately after its foundation, UAT has acquired a business unit from the listed Japanese company Tokyo Cathode Laboratory Co. Ltd. and a number of licenses and patents from Japanese company OHT Inc., with the aim of merging the two companies' base technologies and business development and adopting a fabless business model to become a major player in the niche sector of contactless test machinery from 2010.

### *Successful first flight for Parvus computers onboard Excalibur UAV*

US subsidiary Parvus announces the success of the first flight of the ACMC mission (Aurora Common Mission Computer), a control unit installed on the Excalibur, a new unmanned tactical combat aircraft (UCAV) designed to combine high speed and vertical flight capabilities using an exclusive hybrid electric turbine propulsion system. Excalibur is the third Aurora Flight Sciences programme that uses Parvus' ACMC units. The other Aurora tactical operating systems that use these units include the GoldenEye 80 systems.

## **SEPTEMBER**

### *Advanet receives an award from Japan's Atomic Energy Agency and KEK*

Eurotech announces that its Japanese subsidiary Advanet has received an award from JAEA (Japan Atomic Energy Agency) and KEK (High Energy Accelerator Research Organisation) for its contribution to the construction of the J-PARC particle accelerator in Ibaraki. J-PARC is one of the world's most important particle accelerators. For the last four years, Advanet has contributed to this initiative by supplying 400 single board computers and various types of I/O boards for the facility's control systems.

### *Eurotech announces contract with DynaVox Mayer-Johnson for the DynaVox Xpress™, the world's first mobile augmentative communication device*

The multi-year contract covers the supply of components for the production of the DynaVox Xpress™. The voice generation devices produced by DynaVox Mayer-Johnson are based on Eurotech's Catalyst embedded module, and helps individuals suffering from 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 participate in educational and work activities. Having adopted Eurotech's Catalyst Module as the integrated computer platform, the DynaVox engineers have been able to provide the Xpress with advanced communication functions within a compact and nice device, which can be used in any environment on an everyday basis.

### *Eurotech announces USD 3.2 million order for embedded computers to improve the energy efficiency of buildings*

Eurotech announces it received a USD 3.2 million order from one of the major suppliers of computer platforms for industrial equipment with functions that control the environmental parameters of buildings. Using Eurotech technology for embedded computer platforms enables clients to build OEM products with precise and reliable industrial controls. As in the case of other integrated systems, this industrial control product is required to have a long lifecycle, and Eurotech provides embedded computer platforms that extend the lifecycle of OEM products in which they are used as much as possible, thereby maximising the value of the final product.

**NOVEMBER***Eurotech signs contract with GE Healthcare to supply medical equipment platforms*

Eurotech is to supply embedded computers for medical equipment that will enable nursing staff to manage clinical notes more quickly and accurately. "Thanks to the use of Eurotech's embedded boards as an integrated platform for our medical equipment, we will be able to support medical personnel in a variety of care environments", has commented Pamela Jackson Hall, General Manager of GE Healthcare Systems. "We are looking forward to applying Eurotech's experience of the process of designing and building medical equipment, as we are developing our equipment with the aim of entering the market as soon as possible and minimising the risks." "GE Healthcare is moving rapidly towards developing its own equipment for improving patient care by minimising human error in the compiling of clinical notes and recording of health information", has explained Greg Nicoloso, CEO of Eurotech Inc. "Eurotech is committed to offering digital technologies for a better world, and we are working together with GE Healthcare to achieve this aim."

*Eurotech joins United Nations Global Compact*

The United Nations Global Compact is 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 demonstrates 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 is paid to promoting quality of life, in all its aspects, and to the protection of the environment in which Eurotech operates: 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.



## Vision

Computers will be increasingly miniaturised and interconnected via the Grid. 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 Grid. 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 (i.e. the Pervasive Grid) must be fuelled by data coming from sensors – 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, 1960-, 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, 1948-, American inventor and futurist)

## Mission

Improve everyday life, making it simpler, safer and more pleasant through the ubiquitous and pervasive use of technology.

Integrate the state of the art of computing and communication technologies to develop highly innovative applications, able to anticipate market demand.



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 do not see the Grid 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, 1952-1999, chief researcher at Xerox PARC

"It is not about computers anymore. It is about living."  
Nicholas Negroponte, 1943-, co-founder of Medialab at the MIT and founder 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.

## Values

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.

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, 1900-1978,  
Italian writer and politician

"A man without ideals is like a ship without a rudder."  
Mahatma Gandhi, 1869-1948



## 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 equipments 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 reworks. 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. And since things are never the same after a crisis, 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 world wide 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 and medical 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.

## **Strategic 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%. Now the company has achieved a size that is more than 11 times larger than that of 2002 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 one is the maintenance of technological leadership – essential to keep faith with our mission of creating innovative solutions that anticipate demand. The levers we use are (a) investments in R&D, (b) co-operation with research centres and universities, and (c) acquisition of minority interests in start-ups active in technologies and sectors featuring high potential.

The second guideline is the combined growth:

- internally driven, via consolidation of 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 must now be expressed in full.
- externally driven, once again exploiting the acquisition lever. On the external front, there are still many acquisition opportunities – and it is therefore important to continue monitoring them to be ready to take them.

The third strategic guideline for 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 via focalisation on Eurotech brand, that is a natural consequence of the level of integration achieved by the various Group companies
2. corporate visibility thanks to innovative products
3. partnerships with major industrial and commercial partners.

## **Strategic approach to the 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*

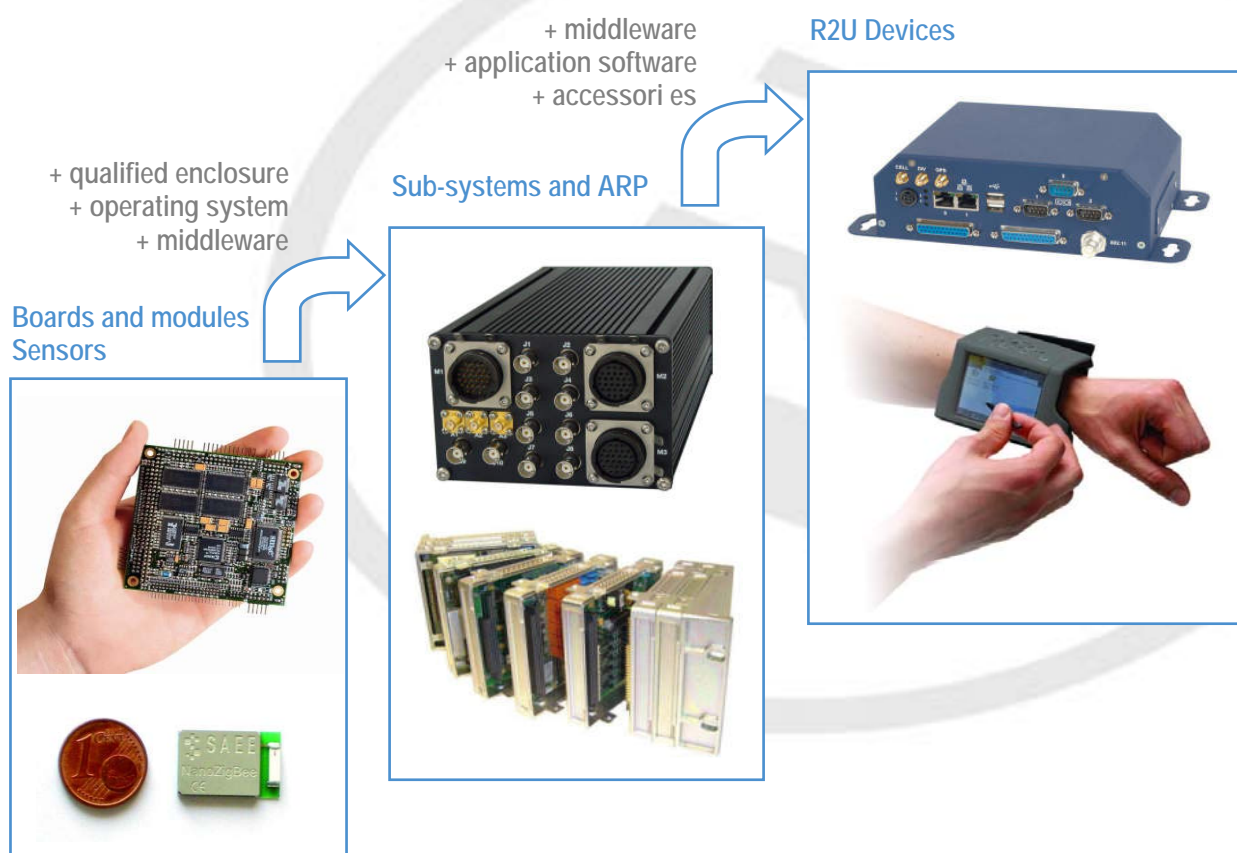
Embedded technology is the basic technology of Eurotech projects. It is an enabling technology, in that it permits miniaturisation. It is the technology on which Eurotech based its foundation and that continues to be in the Group's DNA.

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 (or increase) our senses and 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" or "ubiquitous" 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 (PCDs). 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 an F3 (form, fit, and function) approach.

### *Applicazioni*

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:

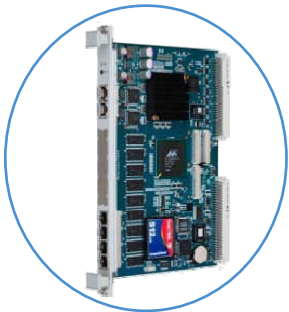
MASS  
TRANSPORTATION



LOGISTICS



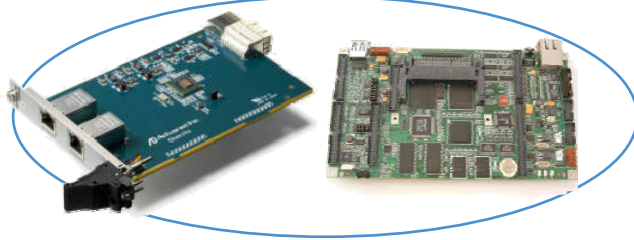
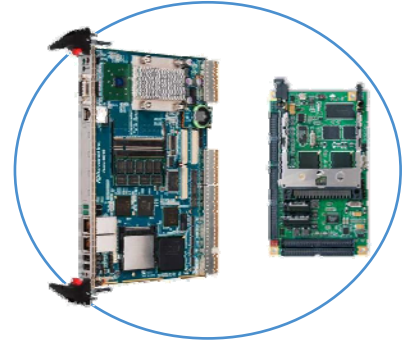
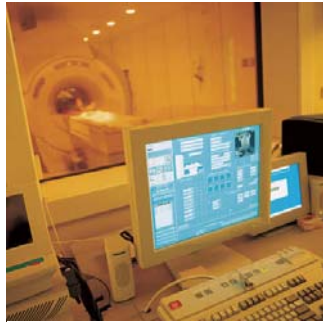
MACHINE  
AUTOMATION



PROCESS  
CONTROL



## MEDICAL

INSTRUMENTATION  
TEST &  
MEASUREMENTDEFENSE 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

*(immagini di HPC Eurotech)*



## Corporate information

### Board of Directors

Chairman	Roberto Siagri
Vice Chairman	Giampietro Tecchiolli
Director	Filippo Bagnato <sup>1 2</sup>
Director	Giovanni Soccodato <sup>1 2</sup>
Director	Maurizio Tucci <sup>1 2</sup>
Director	Sandro Barazza <sup>1 2 3</sup>
Director	Chiara Mio <sup>1 4 5</sup>
Director	Alberto Felice De Toni <sup>1 4 5 6</sup>
Director	Cesare Pizzul <sup>1 4 5</sup>

The Board of Directors currently holding office was appointed by shareholders at the Annual General Meeting on 5 May 2008 and supplemented by shareholders at the Annual General Meeting on 27 April 2009. It will remain in office until shareholder approval of the Annual Financial Report for the financial year ending on 31 December 2010.

### Board of Statutory Auditors

President	Claudio Siciliotti
Statutory auditor	Michela Cignolini <sup>2</sup>
Statutory auditor	Giuseppe Pingaro <sup>2</sup>
Substitute statutory auditor	Marco Rubatto
Substitute statutory auditor	Lorenzo Spinnato <sup>2</sup>

The Board of Statutory Auditors currently holding office was appointed by shareholders at the Annual General Meeting on 5 May 2008 and supplemented by shareholders at the Annual General Meeting on 27 April 2009. It will remain in office until shareholder approval of the Annual Financial Report for the financial year ending on 31 December 2010.

### Independent Auditor

Reconta Ernst & Young S.p.A.

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

### Corporate name and registered offices of the parent company

Eurotech S.p.A.  
Via Fratelli Solari, 3/A  
33020 Amaro (UD), Italy  
Udine Companies Register no.  
01791330309

<sup>1</sup> Non-executive directors.

<sup>2</sup> Appointed by shareholders at the Annual General Meeting on 27 April 2009.

<sup>3</sup> Corporate Financial Reporting Manager as from 29 May 2008.

<sup>4</sup> Member of the Remuneration Committee and of the Internal Audit Committee.

<sup>5</sup> Independent directors pursuant to the Corporate Governance Code prepared by the Corporate Governance Committee for Listed Companies.

<sup>6</sup> Lead independent Director.

## Information for shareholders

The ordinary shares of Eurotech SpA, the parent company of the Eurotech Group, have been listed in the STAR segment of the Milan Bourse since 30 November 2005.

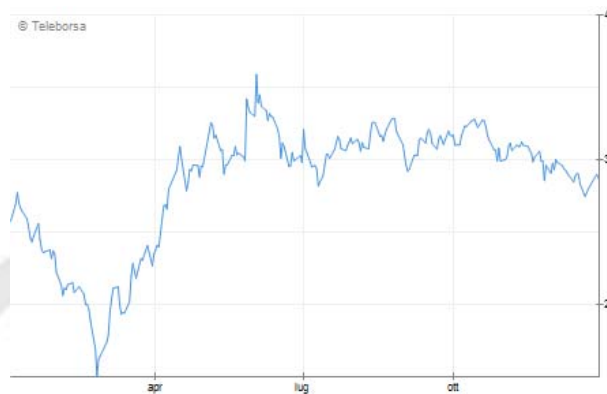
### *Share capital of Eurotech SpA as at 31 December 2009*

Share capital	EUR 8,878,946.00
Number of ordinary shares (without per-share par value)	35,515,784
Number of savings shares	-
Number of Eurotech SpA treasury shares	420,140
Stock market capitalisation (based on average share price in December 2009)	EUR 101 million
Stock market capitalisation (based on official reference price on 31 December 2009)	EUR 101 million

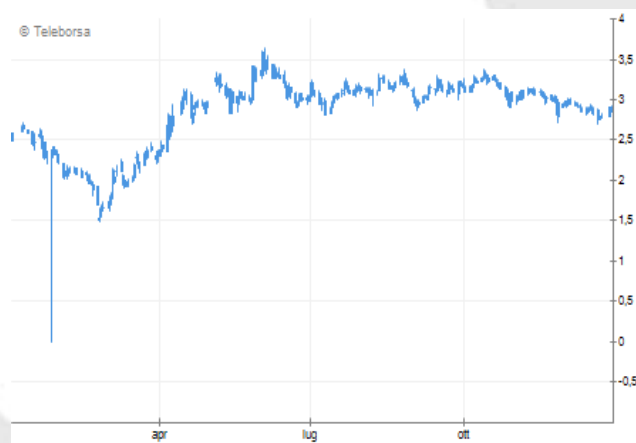
### *Performance of Eurotech SpA shares*

Absolute performance of EUROTECH SpA shares  
01.01.2009 – 31.12.2009

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



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



## Report on operations

### Introduction

The economic financial results of the Eurotech Group for the year 2009 and for the period used for comparison were drawn up according to the IAS/IFRS standards issued by the International Accounting Standards Board and approved by the European Union. Unless otherwise specified, data is expressed in thousands of euros.

### The Eurotech Group

The Eurotech Group specialises in the research, development, production and marketing of miniaturised computers (NanoPC) and High Performance Computing (HPC).

Therefore, "NanoPC" and "HPC" are consolidated business lines. The Group's range in the NanoPC sector consists of electronic miniaturised modules and systems currently used in the defence, transport, medical and industrial sectors.

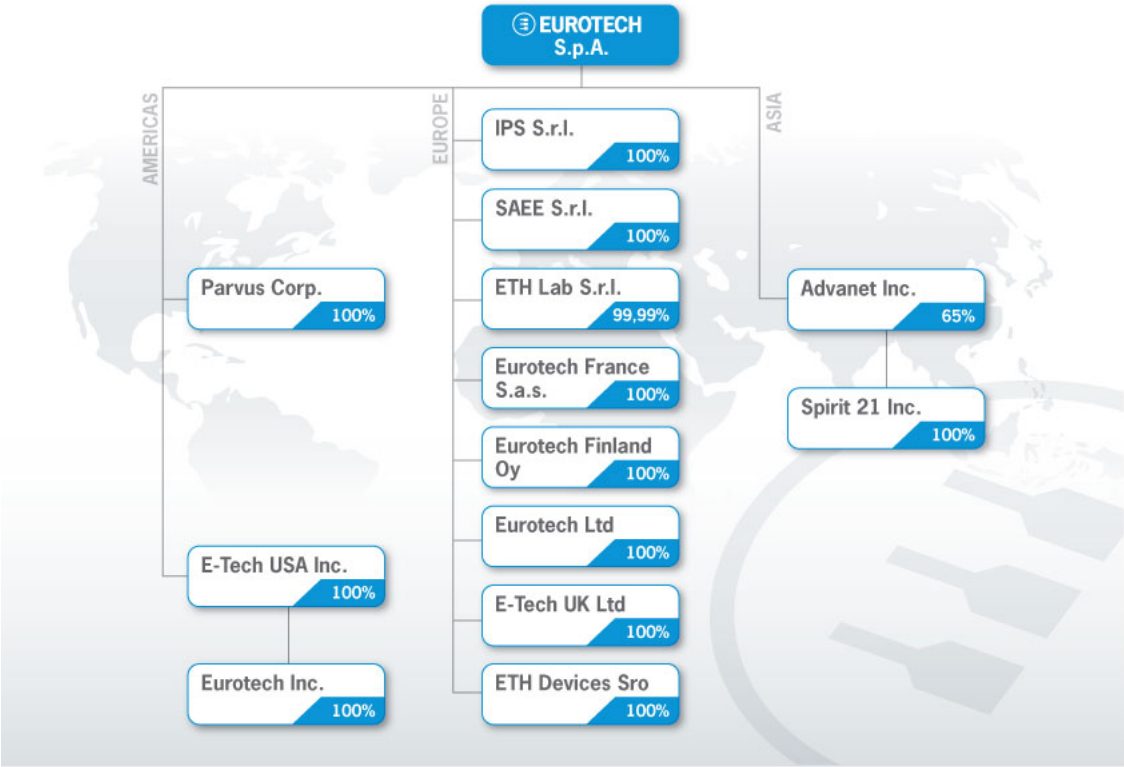
In the HPC segment the Group offers High Performance Computers currently employed in universities, research institutes and calculation centres.

As at 31 December 2009 the Eurotech Group was made up of the following companies:

Company name	Business	Share capital	% ownership
<i>Parent company</i>			
Eurotech S.p.A.	Operates in the nanoPCs and HPC (high performance computer) segments and also handles new product development for the Group	Euro 8,878,946	
<i>Subsidiaries</i>			
Eurotech Inc	Operates in the US market in the field of design, development and production of embedded systems (miniaturised computers) based on Windows CE and Linux operating systems	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 UK Ltd.	British holding company, currently not operational	GBP 1	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 and in China	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	Euro 51,480	100.00%
Parvus Corp.	Operates in the US nanoPC 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 Sro	Company operating in the Eastern European	Euro 10,000	100.00%
EthLab S.r.l.	Handles research and development on the Group's behalf 2005	Euro 115,000	99.99%
Advanet Inc.	Operates in the Japanese nanoPC market	JPY 72,440,000	65.00% (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	65.00% (1)
Chengdu Vantron Technology Inc.	Performs design work and is directly controlled by Eurotech Inc.	USD 108,000	65.00% (2)

(1) The purchase agreement also provides a put & call mechanism for the remaining 35% of Advanet's shares. For consolidation purposes, 90% of the Advanet Group is represented since the put option was valued on 25%.

(2) Company 65%-owned until 31.12.2009 and deconsolidated thereafter following the sale of 15.5% of the shares held.



## Operating performance

		FY 2009	%	FY 2008	%
OPERATING RESULTS €'000					
SALES REVENUES		83,529	100.0%	91,731	100.0%
GROSS PROFIT	(*)	42,967	51.4%	50,411	55.0%
EBITDA	(**)	1,289	1.5%	5,921	6.5%
EBIT	(***)	(6,632)	-7.9%	(13,524)	-14.7%
PROFIT (LOSS) BEFORE TAXES		(8,991)	-10.8%	(15,679)	-17.1%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		(9,601)	-11.5%	(12,708)	-13.9%

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

(\*\*) Earnings before depreciation, amortisation and write-downs of fixed assets, financial income and expenses and income tax for the year (EBITDA).

(\*\*\*) EBIT is gross of financial income and expenses and income tax for the year.

Group revenues fell by 8.9% (€8.2 million), from €91.73 million in 2008 to €83.53 million in 2009.

This fall was entirely due to the global economic crisis, which had an effect throughout 2009 in the form of a reduction in orders.

The impact of the world economic situation is mainly evident in Japan, which registered the most significant drop in sales, and to a lesser extent in Europe. Over the year, the Group did not see the change in conditions that was expected in the second half of the year, although it registered significant sales in December.

In July, the Group registered its first order for the new generation of supercomputers called Aurora, which is expected to give a substantial boost to sales over the next few years. Delivery of the first new-generation supercomputer is scheduled for the first quarter of 2010.

The process of integrating, consolidating and reorganising existing structures continued in 2009, with positive effects on the Group's overall efficiency. With the economy expected to pick up in the second quarter of 2010, the Group will be able to reap the benefits of its international presence, and will also be able to gain from its new level of efficiency with a rapid increase in EBITDA and EBIT with rising sales. Following the merger of the US companies in 2008, in 2009 the Group began to redefine its European business units under a single manager, while the integration of Japanese firm Advanet within the Group continued.

The Eurotech Group's growth plan suffered a setback in 2009 owing to the global economic crisis, which as mentioned above, had a significant impact on the Japanese market, which registered a sharp downturn in sales in the semiconductor equipment sector, due to drastic cuts in plant investment. According to the estimates of leading companies in the sector, 2010 should already see a recovery in orders and therefore sales.

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

<sup>A</sup> 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:

- use of raw materials: €247 thousand for 2008, arising from the charging to the income statement of part of the higher inventory value identified at the time of the acquisition;

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

- instead of €-6.63 million, the EBIT figure would have come out at €-3.58 million;
- instead of €8.99 million, the pre-tax loss would have been €5.0 million;
- instead of €9.60 million, the net loss would have been €6.99 million.

The gross profit margin remained in line with management expectations at the beginning of the year, and came out at 51.4%, down from 55% the previous year but well above the 50% target set out in Eurotech's business plan. This change reflects the business performance of the Group in terms of product mix, and is in particular influenced by the significant drop in sales and consequently the contribution of the consolidated margin in Japan. Nevertheless, Japan maintained a percent margin on sales in line with previous years and substantially higher than the Group average.

In general, the resilience of the gross margin demonstrates the soundness of the business model applied by the Group, which is based on the sale of high-value products and an ongoing focus on limiting COGS through the integration and harmonisation among Group companies of processes to manage purchased materials.

In the period under review, operating costs before adjustments made for internal increases fell by €2.74 million, or 5.7%, from €48.11 million in 2008 (representing 52.5% of revenues) to €45.37 million in 2009 (54.3% of revenues). This had an impact on Group EBITDA.

Over 2009, the Group implemented a policy of reducing fixed costs, rationalising existing resources and continuing to identify and establish synergies between its various affiliates. The flexibility of certain units made it possible to contain the impact of mainly fixed costs in a year in which, for the reasons outlined above, the level of revenues was lower than that sustainable by the current structure of the Group, which has already been appropriately restructured to support future growth.

EBITDA fell from €5,921 thousand in 2008 to €1,289 thousand in 2009. The EBITDA margin decreased from 6.5% in 2008 to 1.5%. This performance was mainly attributable to the lower gross profit figure as a result of lower sales and, to a lesser extent, to provisions made to cover the insolvency risk on some trade receivables. The decrease in costs on the back of the policy implemented from the end of 2008 to rationalise the Group structure and make it more efficient mitigated the reduction in EBITDA, allowing a positive value to be achieved.

The EBIT figure registered an improvement over the year, rising from a loss of €13,524 thousand in 2008 to a loss of €6,632 thousand. The EBIT margin came in at -7.9%, versus -14.7% in 2008. The 2008 financial year had been substantially affected by the one-off and non-monetary effects of the write-downs of the 'Arcom' and 'ADS' brands for €10.77 million, made after company management decided to use the single brand 'Eurotech' in the Group's key markets, excluding defence.

As well as the EBITDA performance commented on above, 2009 EBIT was also affected by depreciation and amortisation charged to the income statement in 2009. This arose from both operating assets that became subject to depreciation during 2009, and non-monetary effects resulting from the purchase price allocation relating to the acquisitions of Eurotech Inc. (ex Applied Data Systems Inc. and ex 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 2009 was €3,052 thousand, compared to €4,451 thousand for 2008.

Financial income was affected by the trend in the net financial position as well as exchange rate differences due to foreign currency trends. As well as careful deployment of remaining cash, it was affected by lower interest rates on bank borrowings. Note too that a significant percentage of financial income is attributable to the accounting effects and reassessment of the foreign currency liability booked in December 2007 in respect of the valuation of the put option for

- 
- depreciation, amortisation and impairment: €3,052 thousand (€4,204 thousand for 2008), equal to the higher amortisation charged to the higher value attributed to intangible assets (customer relationships, trademark and order backlog);
  - financial expenses: financial expenses of €676 thousand for 2009 relating to interest payable (€247 thousand at 31 December 2008), and financial expenses of €261 thousand resulting from foreign exchange differences (€1,495 thousand at 31 December 2008) deriving from the recognition of liabilities for the purchase of a further 25% in Advanet Inc. following the valuation of a put and call option;
  - lower income taxes: €1,249 thousand (€1,848 thousand for 2008) resulting from the tax effect on adjustments made;
  - higher net profit attributable to minorities: €132 thousand (€172 thousand for 2008) resulting from the effect of purchase price allocation attributable to minorities on adjustments made;

the purchase of a further 25% in Advanet Inc.. At the end of the year, based on the results registered by the company for 2009, which were ahead of estimates made at the beginning of the year, the value of the option was revised upwards as indicated in Note F, which explains the related effects in greater detail.

The Group registered a pre-tax loss of €9,601 thousand in 2009, versus a loss of €15,679 thousand in 2008. This performance was influenced by the factors outlined above. The effects on the pre-tax result resulting from the purchase price allocation and the charges relating to the put option (both in 2008 and 2009), of write-downs, integration and reorganisation costs (for 2008 alone) totalled €3.99 million in 2009 and €18.59 million in 2008.

The Group registered a net loss of €9,795 million in 2009, versus a loss of €12,708 thousand reported in 2008. As well as the EBITDA trend, this was primarily due to the tax burden on the different Group entities (as better explained in Note 31) and, to a lesser extent, minority interests. The total effects resulting from the purchase price allocation on the Group's net result for 2009 was €2.61 million, while in 2008, as well as these effects, trademark impairment and integration and reorganisation costs had an effect on the Group's net result of €12.33 million.

Following the introduction of the new IFRS 8 accounting standard, as set out below in the Notes to the Consolidated Accounts (Note G), the Group represented segment information based on the product segments in which it operates (Nano PC and HPC) and, solely for the Nano PC segment, based on the geographical area in which the various Group companies operate and are currently monitored. These are defined by the location of goods and operations carried out by individual Group companies. The regions identified within the Group are: Europe, North America and Asia.

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

(€000)	NanoPC			High Performance Computer			Total		
	FY 2009	FY 2008	% YoY Change	FY 2009	FY 2008	% YoY Change	FY 2009	FY 2008	% YoY Change
Sales revenues	82,682	91,413	-9.6%	847	318	166.4%	83,529	91,731	-8.9%
Gross profit	42,810	50,284	-14.9%	157	127	23.6%	42,967	50,411	-14.8%
EBITDA	1,886	5,901	-68.0%	( 597)	20	n.s.	1,289	5,921	-78.2%
EBITDA margin - %	2.3%	6.5%		-70.5%	6.3%		1.5%	6.5%	
EBIT	( 5,926)	( 13,535)	-56.2%	( 706)	11	n.s.	( 6,632)	( 13,524)	-51.0%
EBIT margin - %	-7.2%	-14.8%		-83.4%	3.5%		-7.9%	-14.7%	

An analysis of revenues by main segment shows that the HPC segment 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 marked by significant orders from a limited number of customers, generally from the world of science and research. The Group expects to see a significant boost to turnover in this business area in the next few years. Furthermore, the shipment of the first new-generation supercalculator will take place in the first quarter 2010.

The revenues of the NanoPC segment totalled €91,413 thousand in 2008 and €82,682 thousand in 2009, a fall of 9.6%. This decline can mainly be attributed to lower sales in Japan in particular and on the European market.

The NanoPC segment is divided by geographical area as follows:

(€ 000)	NorthAmerica			Europe			Asia			Correction, reversal and elimination			Total		
	FY2009	FY2008	%YoY Change	FY2009	FY2008	%YoY Change	FY2009	FY2008	%YoY Change	FY2009	FY2008	%YoY Change	FY2009	FY2008	%YoY Change
Third party Sales	40,563	39,563		18,477	22,217		23,642	29,633		0	0		82,682	91,413	
Infra-sector Sales	1,710	1,331		2,997	3,887		1,657	1,482		( 6,364)	( 6,700)		0	0	
Total Sales revenues	42,273	40,894	3.4%	21,474	26,104	-17.7%	25,299	31,115	-18.7%	( 6,364)	( 6,700)	-5.0%	82,682	91,413	-9.6%
Gross profit	19,361	20,324	5.0%	10,182	12,086	-16.7%	14,092	18,140	-22.7%	( 825)	( 267)	-67.7%	42,810	50,284	-17.5%
Gross profit margin - %	45.8%	49.7%		41.7%	46.3%		55.7%	58.3%					51.8%	55.0%	
EBITDA													1,886	5,901	-212.9%
EBITDA margin - %													2.3%	6.5%	
EBIT													( 5,926)	( 13,535)	-28.4%
EBIT margin - %													-7.2%	-14.8%	



The revenues of the North America business area rose by 2.5%, to €40.6 million in 2009, versus €39.6 million in 2008. As well as to the foreign exchange difference, growth is also due to the contribution of anti-cyclical sectors, such as medicine and defence.

Revenues in the Europe business area contracted by 16.8%, from €22.2 million in 2008 to €18.5 million in 2009. In this area, companies focused on industrial applications were particularly badly affected by the economic crisis.

The Asia business area reported a decline in revenues of 20.2%, from €29.6 million to €23.6 million owing to the crisis, which affected Japan in the semi-conductor machinery sector. This reduction is in line with the trend in this sector, and is in line with the indications set out in the subsidiary's budget in early 2009.

The breakdown of revenues by type shows a slight decrease in the contribution of revenues from services, while industrial revenues declined in line with the trend in overall revenues.

SALES BY TYPE	FY 2009	%	FY 2008	%
Industrial revenues	80,907	96.9%	88,510	96.5%
Services revenues	2,622	3.1%	3,221	3.5%
<b>TOTALE SALES AND SERVICE REVENUE</b>	<b>83,529</b>	<b>100.0%</b>	<b>91,731</b>	<b>100.0%</b>

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

BREAKDOWN BY GEOGRAPHIC AREA	FY 2009	%	FY 2008	%	var. %
Italy	6,142	7.4%	8,424	9.2%	-27.1%
European Union without Italy	12,343	14.8%	13,229	14.4%	-6.7%
United States	38,436	46.0%	36,137	39.4%	6.4%
Japan	22,459	26.9%	28,517	31.1%	-21.2%
Rest of the World	4,149	5.0%	5,424	5.9%	-23.5%
<b>TOTALE SALES AND SERVICE REVENUE</b>	<b>83,529</b>	<b>100.0%</b>	<b>91,731</b>	<b>100.0%</b>	<b>-8.9%</b>

Revenues in the US advanced by €2.30 million (6.4%). This increase shows the resilience of the American geographical area, particularly in the anti-cyclical sectors of medicine and defence, partly owing to the increase in the customer base and the exchange rate trend. Sales in Japan and Italy fell, however.

Lower sales in Japan are attributable to the current economic crisis in the country, particularly for the semiconductor sector. Sales in this area fell by €6.06 million, amounting to 73.9% of the reduction in Group consolidated revenues.

As regards Italy, the decline is still connected to the stagnation of specific markets, such as public transport.



(€'000)	FY2009	%of sales	FY2008	%of sales	var. %
Purchases of raw materials, semi-finished and finished products	40,150	48.1%	35,987	39.2%	11.6%
Changes in inventories of raw materials	6,654	8.0%	3,770	4.1%	76.5%
Change in inventories of semi-finished and finished products	(6,242)	-7.5%	1,563	1.7%	-499.4%
<b>TOTAL COST OF MATERIALS</b>	<b>40,562</b>	<b>48.6%</b>	<b>41,320</b>	<b>45.0%</b>	<b>-1.8%</b>

The use of raw and auxiliary materials and consumables – shown in the table above – declined in the year under review, from €41,320 thousand in 2008 to €40,562 thousand in 2009. This decrease was 1.8%, compared to a decrease in sales of 8.9%. This was the direct consequence of the lower sales and margins registered by the Advanet Group, which historically had a higher gross profit margin.

As a percentage of revenues, the use of raw and auxiliary materials and consumables rose from 45.0% in 2008 to 48.6% in 2009, owing to the factors commented on above.

(€'000)	FY2009	%of sales	FY2008	%of sales	var. %
Service costs	15,529	18.6%	17,268	18.8%	-10.1%
Rent and leases	2,088	2.5%	2,124	2.3%	-1.7%
Payroll	25,694	30.8%	27,433	29.9%	-6.3%
Accruals and other costs	2,063	2.5%	1,289	1.4%	60.0%
Cost adjustments for in-house generation of non-current assets	(2,604)	-3.1%	(1,989)	-2.2%	30.9%
<b>Other operating costs net of cost adjustments</b>	<b>42,770</b>	<b>51.2%</b>	<b>46,125</b>	<b>50.3%</b>	<b>-7.3%</b>

Other operating costs, before cost adjustments for internal increases, shown in the table above, fell by 7.3% from €46,125 thousand in 2008 to €42,770 thousand in 2009, mainly owing to cost-cutting policy implemented by the Group in all sectors, which led to lower staff and service costs, and an increase in capitalised development costs, mainly due to internal and external costs sustained to develop the HPC Aurora line. Operating costs decreased as a percentage of revenues from 50.3% in 2008 to 51.2% in 2009.

The trend in costs for services is shown below.

(€'000)	FY2009	%	FY2008	%	var. %
Industrial services	5,109	32.9%	4,712	27.3%	8.4%
Commercial services	3,843	24.7%	4,007	23.2%	-4.1%
General and administrative costs	6,577	42.4%	8,549	49.5%	-23.1%
<b>Total costs of services</b>	<b>15,529</b>	<b>100.0%</b>	<b>17,268</b>	<b>100.0%</b>	<b>-10.1%</b>
<b>% impact on sales</b>	<b>18.6%</b>		<b>18.8%</b>		

Costs for services fell from €17,268 thousand in 2008 to €15,529 thousand in 2009, a fall of 10.1%. As a percentage of revenues, they decreased from 18.8% in 2008 to 18.6% in 2009. The fall in absolute terms is due to the cost containment policy that every company implemented in a period of economic uncertainty, in line with the guidelines issued by the Parent Company.

Industrial costs rose from €4,712 thousand in 2008 to €5,109 thousand in 2009, owing to both the different conversion rates used for the accounts of foreign companies and higher costs sustained for the industrialisation of some new products.

Costs for commercial services fell by 4.1%, from €4,007 thousand in 2008 to €3,843 thousand in 2009. The reduction was due to the policy implemented on the back of sales forecasts and existing synergies within the Group.

General costs declined by 23.1%, from €8,549 thousand in 2008 to €6,577 thousand in 2009. Here again, there was a significant reduction, both in variable costs and in a portion of certain fixed costs.

Costs for the use of third-party assets remain broadly unchanged compared with last year, with a slight decrease of 1.7%, from €2,124 thousand in 2008 to €2,088 thousand in 2009. These costs also remained broadly unchanged as a percentage of revenues at around 2.3% in the two years considered.

(€'000)	FY2009	%	FY2008	%	var. %
Wages, salaries, and Social Security	25,304	98.5%	26,939	98.2%	-6.1%
Severance indemnities	382	1.5%	368	1.3%	3.8%
Retirement benefit and similar obligations	7	0.0%	8	0.0%	-12.5%
Other costs	1	0.0%	118	0.4%	-99.2%
<b>Total cost of personnel</b>	<b>25,694</b>	<b>100.0%</b>	<b>27,433</b>	<b>100.0%</b>	<b>-6.3%</b>
<b>% impact on sales</b>	<b>30.8%</b>		<b>29.9%</b>		

Payroll costs declined by 6.3%, mainly owing to lower staff numbers following the reorganisations and synergies introduced in some companies.

As a percentage of revenues, payroll costs rose slightly, to around 30.8% in 2009.

As the table below shows, Group headcount was lower at the end of 2009, down from 586 in 2008 to 530. The reduction reflects the business model implemented by the Group as well as the Group policy of rationalising existing resources. Furthermore, this reduction does not take into consideration the deconsolidation on 31 December 2009 of Chengdu Vantron Technologies Inc. Employees of the deconsolidated company totalled 42 at the end of the year.

Staff that belong to the management team and who manage the same in the individual subsidiaries have been extrapolated from the "office staff" item.

Employees	Average 2009	FY2009	Average 2008	FY2008
Manager (*)	18.0	19	21.5	21
Clerical workers	447.3	429	504.9	469
Line workers	82.8	82	73.2	96
<b>TOTAL</b>	<b>548.0</b>	<b>530</b>	<b>599.6</b>	<b>586</b>

(€'000)	FY2009	%	FY2008	%	var. %
Doubtful debt provision	734	35.6%	332	25.8%	121.1%
Other Provisions	38	1.8%	578	44.8%	-93.4%
Other costs	1,291	62.6%	379	29.4%	240.6%
<b>Total accruals and other costs</b>	<b>2,063</b>	<b>100.0%</b>	<b>1,289</b>	<b>100.0%</b>	<b>60.0%</b>
<b>% impact on sales</b>	<b>2.5%</b>		<b>1.4%</b>		

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

The provisions item relates mainly to provisions made to cover costs of guarantees on products and the possibility of losing eventual lawsuits.

Other operating expenses includes a capital loss of €196 thousand following the sale of a 15.5% shareholding in Chengdu Vantron Technology Inc. and of €245 thousand from losses on receivables.

As a percentage of revenues, other provisions and other costs were 2.5% in 2009, compared to 1.4% in 2008.

(€'000)	FY2009	%	FY2008	%	var. %
Government grants	318	29.1%	1,096	67.0%	-71.0%
Sundry revenues	774	70.9%	539	33.0%	43.6%
<b>Total other revenues</b>	<b>1,092</b>	<b>100.0%</b>	<b>1,635</b>	<b>100.0%</b>	<b>-33.2%</b>
<b>% impact on sales</b>	<b>1.3%</b>		<b>1.8%</b>		

"Other income" declined by 33.2% in the year under review, from €1,635 thousand in 2008 to €1,092 thousand. The decrease is chiefly due to a reduction in government contributions (particularly contributions for research that individual

countries make available to local companies). "Other revenues" rose from 1.8% in 2008 to 1.3% in 2009 as a percentage of revenues.

(€'000)	FY2009	%	FY2008	%	var. %
Amortisation of intangible assets	5,541	70.0%	6,323	32.5%	-12.4%
Amortisation of property, plant and equipment	1,664	21.0%	1,622	8.3%	2.6%
Write-down of fixed assets	716	9.0%	11,500	59.1%	-93.8%
<b>Total amortisation and depreciation</b>	<b>7,921</b>	<b>100.0%</b>	<b>19,445</b>	<b>100.0%</b>	<b>-59.3%</b>
<b>% impact on sales</b>	<b>9.5%</b>		<b>21.2%</b>		

Depreciation and amortisation fell from €7,945 thousand in 2008 to €7,205 thousand in 2009. The difference is mainly attributable to the effects of purchase price allocation, which as already mentioned, totalled €4,204 thousand in 2008 and €3,052 thousand in 2009. It is also partially offset by the increase in the amortisation of capitalised development costs and by amortisation of investments made in the year.

The impairment implemented in 2008 is attributable to the complete write-down of the ADS and Arcom trademarks (€10,770 thousand). The Group also reduced value of the goodwill related to the acquisition of shareholdings in I.P.S. Sistemi Programmabili S.r.l. and SAEE S.r.l. for a total of €415 thousand, as it is not currently considered that these need to be maintained.

In 2009, an impairment charge of €716 thousand related to certain projects booked under development costs for products that did not achieve the market acceptance forecast (this impairment totalled €315 thousand in 2008).

As a percentage of revenues, this item fell from 21.2% in 2008 to 9.5% in 2009.

The valuation of investments in associates generated a cost of €97 thousand in 2008 and €405 thousand in 2009. This was mainly due to the adjustment to the recoverable value in the future of former subsidiary Chengdu Vantron Technology following the sale of 15.5% of the shareholding and based on agreements regarding future sales.

	31.12.2009	31.12.08	change %
(€'000)			
Exchange-rate losses	1,756	2,436	-27.9%
Exchange-rate losses from PUT option	261	1,495	-82.5%
Interest expenses	998	2,390	-58.2%
Interest expenses due to the discounting	676	247	173.7%
Expenses on derivatives	217	65	233.8%
Other finance expenses	46	77	-40.3%
<b>Financial charges</b>	<b>3,954</b>	<b>6,710</b>	<b>-41.1%</b>

	31.12.2009	31.12.08	change %
(€'000)			
Exchange-rate gains	1,349	2,846	-52.6%
Interest income	631	1,805	-65.0%
Other finance income	20	1	n.s.
<b>Financial incomes</b>	<b>2,000</b>	<b>4,652</b>	<b>-57.0%</b>
<b>Net financial income</b>	<b>( 1,954)</b>	<b>( 2,058)</b>	<b>-5.1%</b>
<b>% impact on sales</b>	<b>-2.3%</b>	<b>-2.2%</b>	

The fall in financial expenses, from €6,710 thousand in 2008 to €3,954 thousand in 2009, is mainly due to lower exchange rate losses, adjustments and lower interest owing to both the reduction in debt and the lower cost of borrowing. Specifically, as well as being linked to the trend in the US dollar and the British pound, exchange rate expenses relate to the financial payable in foreign currency following the valuation of the put option for the purchase of 25% of Advanet. (€261 thousand).

Financial income fell from €4,652 thousand in 2008 to €2,000 thousand in 2009. The difference is due to the exchange rate effect (generated in particular by Japanese yen transactions) and the reduction in interest receivable as a result of lower cash resources.

Financial income as a percentage of revenues remained more or less unchanged at around 2.2%.

	FY2009	%of sales	FY2008	%of sales	var. %
(€'000)					
Pre-tax result	(8,991)	-10.8%	(15,679)	-17.1%	-42.7%
Income taxes	(481)	-0.6%	3,201	3.5%	-115.0%
<b>Income taxes as a percentage of profit before taxes (effective tax rate)</b>	<b>-5.3%</b>		<b>20.4%</b>		

The Group registered a pre-tax loss of €8,991 thousand in 2009, versus a loss of €15,679 thousand in 2008. This improvement was affected by a reduction in negative effects resulting from the purchase price allocation, at €3,989 thousand in 2009 versus €6,193 thousand in 2008. Furthermore, in 2008 the effects were booked relating to trademark impairment totalling €10,770 thousand and non-recurring integration and reorganisation costs of €1,628 thousand. As a result of the above, the net result came out at -10.8% as a percentage of revenues in 2009, versus -17.1% in 2008.

The table below breaks down income taxes for both years under review, and distinguishes between current tax and deferred tax assets and liabilities, and between taxes due under Italian law and those due under foreign legislation to be borne by Group companies.

(€'000)	FY2009	%of sales	FY2008	%of sales	var. %
IRES (Italian corporate income tax)	0	0.0%	14	0.0%	-100.0%
IRAP (Italian Regional business tax)	17	0.0%	26	0.0%	-34.6%
Foreign current income taxes	2,795	3.3%	2,395	2.6%	16.7%
<b>Total current income tax</b>	<b>2,812</b>	<b>3.4%</b>	<b>2,435</b>	<b>2.7%</b>	<b>15.5%</b>
Net (prepaid) deferred taxes: Italy	(13)	0.0%	77	0.1%	-116.9%
Net (prepaid) deferred taxes: Non-Italian	(2,318)	-2.8%	(5,713)	-6.2%	-59.4%
<b>Net (prepaid) deferred taxes</b>	<b>(2,331)</b>	<b>-2.8%</b>	<b>(5,636)</b>	<b>-6.1%</b>	<b>-58.6%</b>
<b>TOTAL INCOME TAXES</b>	<b>481</b>	<b>0.6%</b>	<b>(3,201)</b>	<b>-3.5%</b>	<b>-115.0%</b>

## Balance sheet

### Non-current assets

(€'000)	at December 31, 2009	at December 31, 2008	Changes
<b>ASSETS</b>			
Intangible assets	106,170	114,399	(8,229)
Property, Plant and equipment	6,858	7,885	(1,027)
Investments in affiliates companies	1,381	875	506
Investments in other companies	243	249	(6)
Deferred tax assets	1,172	1,533	(361)
Other non current financial assets	236	0	236
Medium/long term borrowing allowed to affiliates companies	511	0	511
Other non-current assets	791	749	42
<b>Total non-current assets</b>	<b>117,362</b>	<b>125,690</b>	<b>(8,328)</b>

Non-current assets as shown in the table above fell from €125,690 thousand in 2008 to €117,362 thousand in 2009.

This fall is mainly due to lower intangible assets owing to the different exchange rate applied in the conversion of foreign balance sheets. For more details, see sections H1 of the Notes to the Consolidated Accounts.

The net increase in the value of investments in associates and other companies of €500 is related to the equity accounting method used by Chinese company Chengdu Vantron Technology Inc. Following its deconsolidation and the investment made by Advanet Inc. in a new company called Union Arrow Technology Inc. dedicated to the design and sale of contactless testing equipment for the Flat Panel Display, OLED Display and solar cells sectors.

The Group's investments break down as follows:

(€'000)	at December 31, 2009	at December 31, 2008	Chg.
Intangible assets	3,182	3,066	116
Property, plant and equipment	860	2,495	( 1,635)
Investments	245	173	72
<b>TOTAL MAIN INVESTMENTS</b>	<b>4,287</b>	<b>5,734</b>	<b>( 1,447)</b>

### *Current assets*

(€'000)	at December 31, 2009	at December 31, 2008	Changes
Inventories	17,060	19,783	(2,723)
Contracts in progress	819	383	436
Trade receivables	23,035	22,063	972
Income tax receivables	5,627	4,124	1,503
Other current assets	1,882	2,792	(910)
Other current financial assets	0	719	(719)
Cash & cash equivalents	27,924	38,684	(10,760)
<b>Total current assets</b>	<b>76,347</b>	<b>88,548</b>	<b>(12,201)</b>

Current assets declined from €88,548 thousand in 2008 to €76,347 thousand in 2009.

The net decrease in current assets is attributable in particular to lower cash resources of €10,760 thousand used to reduce borrowings and to support operations. Furthermore, inventories fell over the year owing to ordinary operations.

### *Working capital*

Working capital is current assets, net of cash and cash equivalents, together with non-financial current liabilities, and followed the trend set out below in the year under review:



(€'000)	at December	at December 31,	Changes
	31, 2009	2008	
	(b)	(a)	(b-a)
Inventories	17,060	19,783	(2,723)
Contracts in progress	819	383	436
Trade receivables	23,035	22,063	972
Income tax receivables	5,627	4,124	1,503
Other current assets	1,882	2,792	(910)
<b>Current assets</b>	<b>48,423</b>	<b>49,145</b>	<b>(722)</b>
Trade payables	(14,171)	(15,207)	1,036
Income tax liabilities	(1,766)	(1,461)	(305)
Other current liabilities	(4,855)	(5,047)	192
<b>Current liabilities</b>	<b>(20,792)</b>	<b>(21,715)</b>	<b>923</b>
<b>Net working capital</b>	<b>27,631</b>	<b>27,430</b>	<b>201</b>

Net working capital is largely unchanged due to the combined effect of a decrease in inventories and other current assets and an increase in trade receivables and income tax receivables, which was greater than the reduction in trade payables.

### Net financial position

As at 31 December 2009 the Group had net financial debt of €10,109 thousand vs. a net cash position of €572 thousand at 31 December 2008.

The net financial position at the end of both years is broken down in the table below.

(€'000)		at December 31,	at December 31,
		2009	2008
Cash & cash equivalents	A	(27,924)	(38,684)
<b>Cash equivalent</b>	<b>B=A</b>	<b>(27,924)</b>	<b>(38,684)</b>
Other current financial assets	C	0	(719)
Derivative instruments	D	458	346
Short-term borrow ing	E	24,488	5,782
Business aggregation liabilities	F	10,428	0
<b>Short-term financial position</b>	<b>G=C+D+E+F</b>	<b>35,374</b>	<b>5,409</b>
<b>Short-term net financial position</b>	<b>H=B+G</b>	<b>7,450</b>	<b>(33,275)</b>
Medium/long term borrow ing allow ed to affiliates companies	I	(511)	0
Business aggregation liabilities	J	989	8,049
Other non current financial assets	K	(236)	0
Medium/long term borrow ing	L	2,417	24,654
<b>Medium-/long-term net financial position</b>	<b>M=I+J+K+L</b>	<b>2,659</b>	<b>32,703</b>
<b>NET FINANCIAL POSITION</b>	<b>N=H+M</b>	<b>10,109</b>	<b>(572)</b>

The net financial position also includes €11,417 thousand (€8,049 thousand in 2008) of future payments that did not bear a real cash outflow, broken down as follows:

- fair-value financial liabilities of €10.4 million (€7.0 million in 2008) for the put option on the 25% shareholding in Advanet Inc., which may be exercised in the first few months of 2010. As specifically indicated in Note F and Note 19, this financial liability restated at the end of 2009 on the basis of financial information provided by the Advanet Group, is not definitive, but represents the best estimate as of today;

- residual debt of €1 million (€1 million in 2008) payable to the former Eurotech Inc. shareholders (ex Applied Data Systems Inc.) due to a restricted escrow deposit against an agreed share price, payable in 2011.

Short-term financial liabilities include the medium- and long-term portions (€17,193 thousand) of two outstanding loans – for which, according to definitive consolidated figures at 31 December 2009, one of the covenants set out in the respective financing contracts has not been fulfilled. The Company, in calculating the parameters for verification of compliance, gave an extensive interpretation to the contractual clause defining the items to be included in financial liabilities, also including payables for business combinations.

Therefore, based on the application of IAS 1.65, despite the fact that the credit institutions have informally expressed a wish not to demand immediate repayment of the debt as a consequence of non-compliance with a covenant, Eurotech has classified as current the medium- and long-term portions of the financing which on the basis of the original due date of 31 December 2009 are due after 12 months.

The medium/long-term net financial position was negative to the tune of €2,659 thousand in 2009, versus €32,703 thousand in 2008. This followed the restatement of payables for business combinations resulting from the booking of the put option on Advanet (€10,428 thousand) and of the portion due after 12 months of the loans that did not comply with a covenant under short-term liabilities (from medium-/long-term liabilities) totalling €17,193 thousand.

Existing financial liabilities of €25,173 thousand, together with current account overdrafts at the end of 2009 of €1,731 thousand, add up to total bank borrowings of €26,904 thousand, of which €24,488 is short term, also taking into account the short-term portion of €17,193 thousand in application of IAS 1.65.

### **Cash flow**

(€'000)	FY 2009	FY 2008
Cash flow generated (used) in operations	(2,835)	4,245
Cash flow generated (used) in investment activities	(3,649)	(8,033)
Cash flow generated (used) in financial activities	(3,711)	(14,871)
Change in the conversion difference	(565)	739
Increase (decrease) in cash & cash equivalents	(10,760)	(17,920)
Opening amount in cash & cash equivalents	38,684	56,604
End of period in cash & cash equivalents	27,924	38,684

Operations generated a negative cash flow of approximately €2.8 million, mainly owing to the fall in sales. Investments were significantly affected by investments in the development of new products in the field of NanoPC modules and systems, and by internal investments in industrial and commercial equipment and hardware.

Finally, cash flow resulting from financial activities was mainly due to the repayment of short-term portions of medium-term loans.

### **Infragroup relations and relations with related parties**

Within the transactions aimed at the ordinary business management of the Eurotech Group and the search for new productive and commercial synergies, the Group companies have reciprocal commercial relations based on which the same companies buy and sell products and services among each other. The relations among the Group companies are regulated at market conditions, considering the quality of the assets exchanged and the services rendered. The balances at the end of the period are not backed by guarantees, do not generate interest (except for loans) and are settled in cash. There are no guarantees, given or received, in relation to payables to and receivables from correlated parties. For the period ending on 31 December 2009 the Group did not allocate any provisions for doubtful debts with

regard to the amounts due by correlated parties. This valuation is made for each financial year by examining the financial position of the correlated parties and the market in which the same operate.

Furthermore, some Group companies have service relations with the Parent company, which provides the associated companies of the Eurotech Group with consultancy, administrative, fiscal, corporate, company and strategic services. The reciprocal services and obligations between the subsidiaries and the Parent company are governed by a specific service framework contract.

The relations with the correlated parties include transactions that derive from normal economic-financial relations undertaken with companies in which the administrators of the company or of the subsidiaries, hold important positions, as well as relations with the Finmeccanica Group, which holds 11.08% of the capital of Eurotech S.p.A.. These transactions were governed by market conditions.

The information on the relations with the correlated parties required by Consob communication no. 6064293 of 28 July 2006 is provided in note no. 32 to the consolidated financial statements.

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

Provided below is also information on the equity investments held in the same company and in its subsidiaries by members of the administration and control bodies, the general directors, and the executives with strategic responsibilities, as well as the spouses not legally separated and the children, directly or by means of subsidiaries, trust companies or intermediaries, as resulting from the shareholders' register, from the communication received and from other information acquired by the same members of the administration and control bodies, the general directors and executives with strategic responsibilities in compliance with the provisions of art. 79 of the Consob regulation 11971/99 and subsequent amendments.

		December 31, 2009							
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
Tecchioli Giampietro	Director	Eurotech	Ownership	191,015	-	-	-	191,015	-
De Toni Alberto Felice	Director	Eurotech	Ownership	6,003	-	-	-	6,003	-
Mio Chiara	Director	Eurotech	Proprietà	-	-	-	-	-	-
Pizzul Cesare	Director	Eurotech	Ownership	-	-	-	-	-	-
Barazza Sandro	Director	Eurotech	Ownership	-	-	-	-	-	-
Bagnato Filippo	Director	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 from April 29, 2009	Eurotech	Ownership	-	-	-	-	-	-
Rubatto Marco	Statutory Auditor up to April 29, 2009	Eurotech	Ownership	-	-	-	-	-	-
Bulfony Raffaele	General Director	Eurotech	Ownership	-	-	-	-	-	-

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

### *Template integrating the result for the year and the Net equity*

The table below shows the integration between the result for the year and the consolidated net equity and those of the Issuers as at 31 December 2009 and 31 December 2008:

(€'000)	Profit (Loss) 12/31/2009	Shareholders' Equity 12/31/2009	Profit (Loss) 12/31/2008	Shareholders' Equity 12/31/2008
Financial report of the Parent Company	( 9,221)	108,116	( 11,997)	117,448
Group share of shareholders' equity and pro-quota value in consolidated companies	1,012	( 54,357)	1,713	( 54,022)
Minority purchase	-	( 1,426)	-	1,040
Differential arising from consolidation	-	53,056	( 415)	55,795
Customer relationship	( 2,576)	17,697	( 2,267)	21,330
Trademark	-	7,953	( 7,332)	8,395
Order book	-	-	( 821)	-
Inventories at fair value	-	-	( 247)	-
Reversal of Impairment of equity transactions	1,635	-	6,089	-
Effect of valuing equity investments using the net equity method	( 405)	( 373)	( 37)	( 48)
Elimination of unrealised internal profit on inventories companies	( 19)	( 25)	( 6)	( 6)
Offset dividends	( 1,392)	-	-	-
Other minor differences	( 226)	-	-	-
Tax effects on consolidation adjustments listed above	1,069	( 10,755)	3,890	( 12,459)
Consolidated financial statements	( 9,472)	119,886	( 12,478)	137,473

### **Own shares of the parent company owned by the parent company or subsidiaries**

Own shares owned by parent company Eurotech S.p.A. totalled 420,140 at the end of the year. Movements in 2009 are set out in the table below:

	No. of shares	Face value of a share (Thousand of €)	% share capital	Carrying value (€'000)	Average unit value
Status as at 1 January 2009	420,140	105	1.18%	1,348	3.21
Purchases	-	-	0.00%	-	-
Sales	-	-	0.00%	-	-
Status as at 31 December 2009	420,140	105	1.18%	1,348	3.21

## ***Investments and research and development***

As at 31 December 2009 technical investments (tangible fixed assets) for equipment and instruments amounted to € 212 thousand, investments concerning other assets amounted to € 642 thousand and investments for the purchase of patents to € 301 thousand.

During the year, the Group carried out industrial research and development activities as well as technological innovation activities concerning new products and the improvement of existing processes.

Research activities led to the development of new products/applications in the field of computers and embedded systems, high integration and low consumption computers, network appliances and supercalculators. Research provided improvements in product quality, the creation of new products, a reduction in component production costs and a consequent increase in corporate competitiveness. In the year development costs were capitalised for new products for Euro 2,604 thousand.

Approximately 40% of these costs relate to the development of new technologies in the HPC area, while around 3% were generated by the completion of the Wrist Wearable PC project (the Group made significant progress in the rugged version, which is strengthened and specifically designed for use in tough conditions). About 28% of the costs relate to the development of new products based on Intel's new, ultra low power architecture. The approximately 29% remaining was used in various hardware and software areas, including in projects already launched the previous year, such as sensors, which are important elements in creating the pervasive computational grid (GRID)..

## ***Main risks and uncertainties that the Group is exposed to***

### ***Risks connected to the general economic conditions***

The global macro-economic situation affects the economic, equity and financial situation of the Group.

The presence of the Group's businesses in various global markets lets us subdivide the risk and exploit any positive situations arising in some areas compared to or ahead of others.

Furthermore, the presence of the Group in anticyclical sectors such as medical, defence and some area in transportation might support the Group's business in a time featuring a downturn in the overall conditions of the economy and where sectors such as industrial and commercial feel the effect of the crisis and the consumption reduction.

### ***Risks connected to the fluctuation of exchange and interest rates***

The Eurotech Group works at an international level and has invested in countries such as the USA, Japan and the UK from which financial flows derive that are not constant. Furthermore, the single foreign subsidiaries tend to operate in their reference markets with their functional currencies. These considerations led us to not conduct any hedging transactions, even if the consolidated financial statements are affected by the fluctuation of exchange rates when translating the financial statements of the companies not in the Euro zone.

The Group is financially exposed with medium term bonds with a variable rate, especially in the Euro zone and, to a lower extent in the Yen area. In order to reduce the oscillating interest rates, the Group resorts to hedging instruments that mitigate the rate oscillations.

Sudden exchange and interest rate fluctuations might have an impact on the Group's economic and financial results.

### ***Risks connected to liquidity and the need for financial means***

Based on the existing net financial position, the Group expects to deal with the payable financial loans by using the liquid funds available and through the flows deriving from the operations.

Group believes that in order to have positive operational flow generation capacity, as in 2008, turnover must be increased with respect to the present value and the cost containment policy implemented in 2009 must be continued..

The Group's policy is to keep the available liquidity invested in sight or very short term bank deposits by subdividing the deposits into a sufficient number of selected banking counterparties operating in different geographic areas.

Nevertheless, also in consideration of the financial crisis underway, it is not possible to exclude situations of the banking and monetary market that may hinder normal operations in financial transactions.

### ***Risks connected to management***

The Group's success mainly depends on the ability of some executive administrators and other members of management to effectively lead the Group and the individual local situations. Losing the performance of an executive administrator or other key resources without an adequate replacement, as well as the eventually inability to attract and retain new and qualified resources, may have negative effects on the prospect, activities and economic and financial results of the Group.

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

Though in some niche cases, the markets in which the Group operates are competitive in terms of product quality, innovation, reliability and customer services.

The success of the Group will depend on its ability to maintain and increase its market share and/or to expand into new markets with innovative products of a high quality that guarantee profit levels similar to the current ones.

Should the Group not be able to offer competitive and innovative products compared to those of the competition, the Group's market share may reduce, with a negative effect on the profitability and the economic and financial results of the Eurotech Group.

### ***Risks connected to clients***

In some geographic areas the Group operates with a low number of clients. Due to its dependence on some customers, the loss of or the significant reduction in the turnover towards these big clients might have a serious negative impact on the sales and profits of the Group.

Generally these clients are not the end users of our products. The failure of the products in which our product is incorporated or the difficulty of our clients to sell the product that we develop and produce for them might have a negative impact on sales and margins.

The adverse economic conditions of the market in which our client could sell or use our products would determine a reduction of the supplies to these clients. Some of these markets feature intense competition, fast changing technology and economic uncertainty. The exposure of the Group to the economic cyclicity and the relative fluctuation of demand from these clients might have a negative effect on revenues and consequently on the Group's financial situation.

Furthermore, the decision of some clients to internally produce products we supply might reduce the supplies to the same and consequently the sales revenues and profitability.

### ***Risks connected to environmental policy***

In running its business and manufacturing its products the Eurotech Group must comply with national, community and international standards relating to environmental issues. These standards are becoming increasingly stricter in all the countries where the Group works.

The potential risk which the Group is subject to concerns the treatment of electric and/or electronic components that, as a result of new standards, may no longer be usable in production or be sold separately.

The consequent disposal of these or other products that have become technologically obsolete, implies progressively increasing costs.

In order to comply with regulations in force, the Eurotech Group envisages having to incur rising costs also in future years.

### ***Risks connected to staff relations***

In some countries where the Group operates, the staff is subject to various laws and/or collective employment contracts that guarantee them, also through local and national representation, the right to be consulted for some issues, including the cases of layoffs. Non compliant decisions may lead to problems in managing the work force.

### ***Risks related to development activities***

The Group is engaged in important research and development activities that may last more than 24 months. The development activities believed to produce future benefits in terms of revenues are posted under intangible fixed assets. Not all of the development activities may result in a production able to recover the funds invested in the same activities. Should products correlated to development activities not be as successful as foreseen, there would be an impact on the expected revenues and on the profitability of the Group, with the consequent need to write down the assets accounted for.

### ***Risks and uncertainties relating to goodwill and activities of indefinite duration***

The Group subjects goodwill and other intangible activities of indefinite duration to impairment tests at least annually, and during the course of the year if so indicated. The test requires an estimate of the value of use of the CGU to which the goodwill and the other activities of indefinite duration are attributed, which in turn is based on an estimate of financial flows expected from the unit and their discounting at an appropriate rate.

In view of the uncertain general macro-economic picture and the key sectors in which the Group operates, there is substantial uncertainty in the estimates of financial flows used to carry out the test for asset impairment. This uncertainty may give rise to a risk of missed impairment in goodwill and activities of indefinite duration, due to the possible overestimation of future financial flows.

### ***Information on the environment and the personnel***

Although our Group does not perform activities that have a potential impact on the territory and on the environment, we have always tried to adopt the best national and international practices and respect policies aimed at risk prevention and at minimising environmental impact.

The Eurotech Group has always paid the utmost attention and been actively committed to issues concerning safety in the workplace, by spreading a culture of safety within the organisation, minimising the exposure to risk in any activity and taking control, preventive and protective measures against risk exposure.

No serious accidents at work have occurred within the Eurotech Group and there is no risk of vocational diseases.

### ***Important events occurring after the closure of the year***

There are no important events occurring after the closure of the year.

### ***Report on corporate governance and ownership structure***

The information requested in article 123-bis paragraphs 1 and 2 of Legislative Decree 58 of 24 February 1998 and successive changes and additions, is presented in Appendix 1 in this report.



***Subsidiaries established and regulated by laws of States not belonging to the EU***

The Board of Directors declares that the conditions exist for the listing under art. 36 of the Consob Regulation no. 16191/2007 ("Market Regulations"). To this end, it is hereby stated that as at 31 December 2008 the subsidiaries established and regulated by laws of States not belonging to the EU pursuant to the same art. 36, paragraph 2, are the American companies Eurotech Inc., Parvus Corp., E-Tech US Inc. and the Japanese companies Advanet Inc. and Spirit21 Inc., for which the requirements under paragraph 1 of this article are satisfied.

***Competitive scenario, foreseeable evolution of management 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 2010 is positive, even though market conditions in some sectors remain uncertain.

The Group will continue its strategic development in 2010, 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 offer 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 the ownership  
structure**

**pursuant to Article 123-bis of the Consolidated Text on Finance (TUF)**

***Issuer: EUROTECH SpA***

***Website: [www.eurotech.com](http://www.eurotech.com)***

***Reporting period: financial year 2009***

***Report approval date: 15 March 2010***

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\* \* \*

Shareholders,

as Chairman of the Board of Directors of Eurotech S.p.A. (“**Eurotech**”, the “**Company**” or the “**Issuer**”), on behalf of the Board of Directors, in compliance with the provisions of Section IA.2.6 of the Instructions for the Regulation of Markets organised and managed by Borsa Italiana S.p.A. (the “**Stock Market Regulation Instructions**”) and pursuant to Article 123-bis of Legislative Decree 58/1998 (the Consolidated Text on Finance or “TUF”), and Article 89-bis of the Consob Issuer Regulations (“**Issuer Regulations**”), 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 drafted by the Committee for the Corporate Governance of Listed Companies published on 14 March 2006 (the “**Corporate Governance Code**”), on the basis of, *inter alia*, the experimental format for the corporate governance report proposed by Borsa Italiana S.p.A.

The annual Report that follows provides you with the mandatory information regarding concrete implementation of the Corporate Governance Code for the financial year ended 31 December 2009.

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 and with operating locations in Europe, North America and Asia. Eurotech is a group active in the research, development, manufacturing and marketing of miniaturised computers (NanoPCs) for specialist use, as well as computers with elevated computing capacity (HPCs). The paradigm followed by Eurotech is that of “Pervasive Computing”, and this consists of three key factors: The miniaturisation of “intelligent” devices, i.e. those capable of processing information; their diffusion in the real world – inside buildings and equipment, on board vehicles, worn by people, and disseminated in the environment; and the possibility of their connecting up and communicating with each other in a network. As a part of this vision, NanoPCs and HPCs are the two major classes of devices that, by connecting to and working with each other, form that pervasive computing infrastructure commonly known as a “Cloud” or “Grid”. Eurotech is most active in the transport, defence, industrial and medical sectors. A feature that unites many of our customers in all these sectors is that they are seeking a centre of technological competence, and they frequently see in Eurotech a partner that can help them renew their products and their business methods. Specifically, these customers seek to reduce their time-to-market and focus on their core businesses, and they often need solutions for harsh operating conditions and for mission-critical applications, or guaranteed supplies over long periods of time. In the HPC sector Eurotech develops supercomputers destined for state-of-the-art research institutes, data centres and universities. These supercomputers have revealed themselves to be indispensable in advanced sectors such as nanotechnology, biotechnology and subatomic physics. In addition, in the near future important developments are awaited in the medical and industrial fields.

Eurotech is organised in accordance with the traditional model of corporate governance, having 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 OF THE TUF)**

### ***a) Share capital***

As of the date of this Report, the share capital, fully subscribed and paid up, totals EUR 8,878,946.00, comprising 35,515,784 ordinary shares (with no nominal value); the Company owns [420,140] treasury shares, equivalent to 1,18% of the share capital.

The shares are indivisible and dematerialised.

The classes of stock comprising the share capital are summarised in Table 1 in the appendix.

### **Stock option plan for employees and directors**

As of 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 are set out in Table 1, based on the shareholder register, information provided pursuant to Article 120 of the TUF and other information available at the Company.

### ***d) Shares granting special rights***

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

### ***e) Employee shareholdings: voting mechanism***

No employees own shares in the Company.

### ***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, Massimo Mauri and Giampietro Tecchiolli an agreement containing provisions relating to Article 122 of the TUF (the "**Shareholder 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 became effective on 5 November 2008.

On 8 April 2009, based on the agreements between the parties, Massimo Mauri ceased to be a party to the Shareholder Agreement.

The provisions of the Shareholder 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, paragraph 1 and paragraph 5, points 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 Tecchioli, equivalent to 0.54% of the share capital; (c) 3,936,461 shares owned by FNM, equivalent to 11.08% of the share capital.

For more information on the Shareholder 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 for EUR 15,000,000.00 was signed with the lending institution Unicredit Banca d'impresa S.p.A., in which one of the covenants is a limitation to change of control/ownership – in other words the obligation on the part of the Company to inform the bank of any change in the legal or corporate structure (e.g. status, capital, directors, statutory auditors and shareholders, as well as mergers, including takeovers, demergers, spin-offs and transfers) or the managerial, share or financial structure (e.g. the issuance of bonds), as well as the financial and technical situation, deriving from data, information and documents provided following the loan application, as well as the facts that could in any way change the current structure and organisation of the Company. The covenant will be checked annually and certified on the part of the Company, and failure to comply with the covenant will represent consent to the Bank, should it consider it preferable not to apply the resolution clauses, to increase the interest spread by 50 bps.

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

In 2009, the Board of Directors was not granted powers to increase the share capital, pursuant to Article 2443 of the Italian Civil Code, or to issue equity financial instruments.

The ordinary shareholders' meeting held on 27 April 2009 pursuant to Articles 2357 and 2357-ter of the Civil Code, and Article 132 of the TUF and associated implementing measures, resolved to:

- (A) authorise the purchase and sale of treasury (ordinary) shares (i) for investment purposes and to stabilise the performance and liquidity of the stock on the equity market, under the terms and following the procedures established by the applicable provisions; (ii) for the purpose of using treasury shares in transactions relating to ordinary operations or initiatives consistent with the strategies the Company intends to pursue, in relation to which there is the opportunity for share trading, according to the procedures and terms and conditions set out in the resolution, including the use of the said shares for requirements relating to convertible bonds and/or warrants; or (iii) for the use of treasury shares acquired for the requirements of stock option plans, in any form approved by the competent corporate bodies that provide for the granting of, and/or that may be based on Eurotech shares, reserved for the management and directors of the Company and/or companies it directly or indirectly controls, and therefore:



- 1) authorise, pursuant to and for the purposes of Article 2357 of the Civil Code, the purchase, in one or more tranches, for a period of 18 months from the date of the resolution, of ordinary shares in the Company, up to a maximum, taking into account the ordinary Eurotech shares held from time to time by the Company and its subsidiaries, that does not exceed, in total, the limit laid down by the applicable legislation in force at the relevant time, at a price per share no lower than 15% below and no higher than 15% above the official price of Eurotech shares on the trading day preceding each individual purchase transaction, or in the event that the purchases are effected via a public purchase or exchange offer, at a price no lower than 15% below and no higher than 15% above the official price of Eurotech shares on the trading day preceding the announcement of any such offer. The maximum number of treasury shares owned at any time must not exceed, as specified above, the limit laid down by the applicable legislation in force at the relevant time, taking into account any shares in the Company owned by subsidiaries.
- 2) give a mandate to the Board of Directors, and therefore to its Chairman and the Chief Executive Officer, to proceed with the purchase of shares under the conditions set out above – with the option to appoint special representatives for the execution of the purchase transactions pursuant to the resolution, and any other formalities relating to the same – at the frequency deemed appropriate to the interests of the Company, in accordance with current legislation, following the procedures laid down in Article 144-bis, paragraph 1, points a), b) and d) of Consob Regulation 11971/99, as amended, and thus through a public purchase or exchange offer, on a regulated market, or through the granting to shareholders, in proportion to the number of shares owned, of an option to sell, to be exercised within the period authorised by the shareholders' meeting;
- 3) authorise the Board of Directors, and therefore its Chairman and the Chief Executive Officer, pursuant to and for the purposes of Article 2357-ter of the Civil Code, to use, at any time, in whole or in part, in one or more transactions, even before having used all the shares purchased previously, treasury shares acquired under the resolution or held in any event by the Company, through the sale of the same on the stock market or elsewhere or the sale of real and/or personal rights to the same (including, but not limited to, securities lending), thereby also granting the Chairman and the Chief Executive Officer the power to establish, in compliance with the laws and regulations, the terms, procedures and conditions for the disposal of treasury shares deemed most appropriate to the interests of the Company, with the option to appoint special representatives for the execution of the disposal transactions pursuant to the resolution and any other related formalities, without prejudice to the fact that (a) the payment for the sale of ownership rights and any other real and/or personal rights must not be lower than 10% below the market value of the right sold on the day preceding each transaction; (b) disposals effected, in the context of business initiatives or extraordinary financial transactions, via an exchange, swap, transfer or other procedure involving the transfer of treasury shares, and disposals of treasury shares used for the requirements of convertible bonds and/or warrants, may take place at a price or value consistent with the transaction, taking into account market trends; and (c) disposals of treasury shares used for the requirements of stock option plans, in any form approved by the competent corporate bodies, that provide for the granting of, and/or that may be based

on Eurotech shares, reserved for the management and directors of the Company and/or companies it directly or indirectly controls, may take place at the price determined by the competent corporate bodies within the context of the said plans, taking into account market trends and applicable tax regulations. The authorisation relating to this point is granted without time limits. It should be noted that the authorisation to dispose of treasury shares pursuant to this point also covers treasury shares already owned by Eurotech S.p.A as of the date of the resolution;

- (B) 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 had been recorded, in compliance with the applicable laws and accounting standards.

With reference to the above, the Issuer had not acquired any treasury shares as of the date of this Report.

As of the date of this Report, the Company owned 420,140 treasury shares, equivalent to 0.047% of the share capital, acquired on the basis of the resolution of the ordinary shareholders' meeting held on 7 May 2007. The value of these shares recorded in the financial statements is EUR 1,045,350.33

### **1) Management and Co-ordination**

Eurotech is not subject to management and co-ordination pursuant to Article 2497 *et seq.* of the Civil Code.

Note that:

- the information required by Article 123-bis, paragraph 1, point i) ("the agreements between the company and the directors [...] that provided for the payment of benefits to the latter in the event they resign or are dismissed without cause or if the employment relationship terminates following a public purchase offer") is provided in the section of the Report on directors' remuneration (Section 9);
- the information required by Article 123-bis, paragraph 1, point l) ("the rules applicable to the appointment and replacement of directors [...] and the amendment of the Articles of Association, if these are different from the applicable laws and regulations as supplemented") is provided in the section of the Report on the Board of Directors (Section 4.1);

## **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](http://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 Articles of Association that regulate the composition and appointment of the Board of Directors are in compliance with the relevant provisions introduced by Law 262/2005 (Article 147-ter of the TUF) and Legislative Decree 303 of 29 December 2006.

Pursuant to Article 14 of the Articles of Association, the Board of Directors has no less than five and no more than eleven members. The ordinary shareholders' meeting determines their number when it appoints them. 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. The 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. The Directors serve for a term of three financial years, which expires on the date of the shareholders' meeting called to approve the financial statements for the last year of their term. They may be re-elected at the end of their term.

The current Articles of Association (Article 14) set out a list voting mechanism for the appointment of directors: the lists are 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 given to anyone who requests them. They must be filed at least fifteen days before the shareholders' meeting (first scheduled session) and will be subject to other forms of notice in accordance with the laws in force.

Shareholders, including those party to a shareholder agreement 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 they must not vote for different lists. Each candidate must submit one list only; failure to do so will result in disqualification. The 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 share capital entitled to vote at ordinary shareholders' meetings, or representing a different percentage set by law or regulation may submit lists. In Resolution 17148 of 27 January 2010, 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, with reference to the year ended 31 December 2009.

Each list must be filed by the aforementioned deadlines, and accompanied by:

- (i) a specific certificate issued by a legally authorised intermediary that attests to the ownership of the number of shares necessary for submitting lists;
- (ii) the statements in which the individual candidates accept their candidacy and certify, under their own responsibility, that there are no causes for their ineligibility or incompatibility, and that they satisfy the requirements for the respective positions;
- (iii) a curriculum vitae setting out the personal information and professional qualifications of each candidate, indicating, where applicable, why he may be deemed independent.

Lists that are submitted without complying with the foregoing 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 that received the highest number of votes cast by the shareholders, and they shall be elected in the numerical order in which they are indicated on the list;
- b) the remaining director is taken from the minority list that has no direct or indirect ties with the shareholders that submitted or voted for the list described in point a) above, and which received the second highest number of votes cast by the shareholders. 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, as set out in Article 14.3, all the directors to be elected shall be taken from the list referred to in point a).

If the election of candidates according to the aforementioned procedures does not result in the appointment of a number of directors meeting the requirements for independence envisaged for statutory auditors pursuant to Article 148, paragraph 3 of the TUF, equal to the minimum number established by law in relation to the total number of directors, the non-independent candidate elected in last place according to the numerical order of the list that received the highest number of votes, as set out in point a) of the preceding paragraph, shall be replaced by the first unelected independent candidate according to the numerical order on the same list, or if this is not possible, by the first unelected independent candidate according to the numerical order of the other lists, based on the number of votes received in each case. 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 in accordance with the majority voting rules laid down in law, without complying with the procedure described above.

If one or more directors' positions become vacant during the year, and provided that the majority of remaining directors have been elected by the shareholders' meeting, the provisions of Article 2386 of the Civil Code shall apply, as follows:

- a) the Board of Directors shall fill the vacant positions with persons from the same list on which the former director was elected, and the shareholders' meeting shall pass a resolution in accordance with the majority voting rules laid down in law, 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, in accordance with the majority voting rules laid down in law, in the absence of 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 Articles of Association, the current directors satisfy the applicable regulations or legislation.

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#### **Amendments to the Articles of Association**

Amendments to the Articles of Association must be made by the extraordinary shareholders' meeting, according to majority voting legislation.

In accordance with Article 19 of the Articles of Association, the Board of Directors is also responsible for passing resolutions on the following matters, in compliance with Article 2436 of the Civil Code: (i) simplified mergers or demergers pursuant to Articles 2505, 2505-bis, 2506-ter (last paragraph) of the Civil Code; (ii) relocation of the company's registered office within Italy; (iii) capital reductions in the event of shareholders' exercising a right of redemption; (iv) amendment of the Articles of Association in accordance with regulatory provisions, without prejudice to the fact that these resolutions may also be passed 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 2009, apart from those specified below.

On 05 May 2008, the ordinary shareholders' meeting, following the expiry of the mandate of the previous Board of Directors, appointed Roberto Siagri, Dino Ferragotto, Massimo Mauri, Giampietro Tecchioli, Roberto Chiandussi, Giorgio Pezzulli, Alberto Felice De Toni, Cesare Pizzul and Chiara Mio to the new Board of Directors. On that occasion, as provided for in Article 14.3 of the Articles of Association, as no list had been presented, the shareholders' meeting followed majority voting legislation, without observing the list voting procedure, on the proposal of shareholder Giorgio Pezzulli.

Subsequently, pursuant to Article 2386 of the Civil Code, a number of directors were co-opted to the Board of Directors at its meetings of 8 August (Sandro Barazza was appointed to replace Signor Massimo Mauri) and 14 November (Filippo Bagnato, Giovanni Soccodato and Maurizio Tucci were appointed to replace Dino Ferragotto, Roberto Chiandussi and Giorgio Pezzulli).

On 27 April 2009, the ordinary shareholders' meeting ratified the appointment of the co-opted directors Sandro Barazza, Filippo Nicola Bagnato, Giovanni Soccodato and Maurizio Tucci. In particular, Filippo Nicola Bagnato, Giovanni Soccodato and Maurizio Tucci were appointed on the proposal of the shareholder Finmeccanica S.p.A. (a party to the Shareholder Agreement), while Sandro Barazza was appointed on the proposal of shareholder Roberto Siagri (also a party to the Shareholder Agreement).

The mandate of the current Board of Directors comprising Roberto Siagri, Giampietro Tecchioli, Sandro Barazza, Alberto Felice de Toni, Chiara Mio, Cesare Pizzul, Filippo Nicola Bagnato, Giovanni Soccodato and Maurizio Tucci will expire when the financial statements for the year ending 31 December 2010 are approved.

The curriculum vitae of the Directors are held at the Issuer's registered office and can be viewed on its website [www.eurotech.com](http://www.eurotech.com) in the "Investors" section.

Table 2 attached to this Report lists the members of the Board of Directors in post as of the date of this Report by name, and provides information on the position held and the date this position was assumed; it also shows if the director is a non-executive or independent, indicates (in percentage terms) the director's presence at 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.

Each member of the Board of Directors must take his decisions on an informed, independent basis, in view of creating value for shareholders, and promises to dedicate the time necessary to ensure diligent performance of his functions. Accordingly, each candidate for a director's position shall first determine whether he can discharge his assigned duties with due care and effectiveness when accepting his position in the Company, particularly with regard to the number of director and statutory auditor positions he holds 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 has accepted positions as director or statutory auditor in the aforementioned companies, so that full disclosure thereof may be provided in the annual report on operations.

Pursuant to the combined provisions of Articles 147-ter(4) and 148(3) of the TUF, in accordance with what is prescribed by Article 2.2.3(3)(l) of the Regulations for Markets Organised and Operated by Borsa Italiana S.p.A. (the "**Stock Market Regulations**") and Article IA.2.13.6 of the Stock Market Regulation Instructions – which are both applicable to the issuers holding the STAR qualification – and in accordance with Article 3 of the Corporate Governance Code, the Board of Directors currently has three independent directors – Alberto Felice De Toni, Chiara Mio and Cesare Pizzul – who:

- (i) do not control the Company directly or indirectly, through subsidiaries, trust companies, or intermediaries, and cannot exercise significant influence over it;
- (ii) 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;
- (iii) 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, a director with executive authority or senior manager with strategic responsibilities) of the Company, one of its strategic subsidiaries, a company subject to joint control with it, a company or entity that, either separately or jointly with others through a shareholder agreement, controls the Company or can exercise significant influence over it;
- (iv) do not have or have not had during the previous year, directly or indirectly (e.g. through subsidiaries or companies at which they are key executives, in the sense set out in point (iii) above, or as partner of a professional firm or consulting firm), a significant commercial, financial or professional relationship with (pursuant to Article IA.2.13.6 of the Stock Market Regulation Instructions) or is an employee of: (a) the Company, one of its subsidiaries or a key executive, in the sense set out in point (iii) above, at said 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 the said companies;
- (v) without prejudice to what is set out in 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 director without executive authority 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 twelve years;
- (viii) are not directors with executive authority at another company where a director with executive authority of the Company serves as a director;
- (ix) are not shareholders or directors of a company or entity belonging to the network of the company in charge of 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 satisfaction of the pre-requisites 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 pre-requisites based on the information that the interested parties are required to provide under their own responsibility, or the information available to the Board of Directors.

On 15 March 2010, 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 adequate with regard to the operating and organisational requirements of the Company. The presence of five non-executive directors, including three Independent Directors, out of a total of nine Directors, ensures that Board of Directors committees have the right balance of members.

#### **Maximum number of positions allowed**

As regards the positions held by Eurotech directors (including directors whose mandates expired during the year) in other listed companies, financial companies, banks, or insurance companies, or at large companies, the following table shows the main activities carried out by members of the Board of Directors outside the company, in accordance with Article 1.C.2. of the Corporate Governance Code:



Name and surname	Position
<b>Roberto Siagri</b>	<p><b><u>Chairman of the Board of Directors</u></b>  EUROTECH SpA (Italy – Amaro (UD)) (Eurotech S.p.A. Group)  E-Tech Inc. (USA) (Eurotech Group)  E-Tech Ltd. (UK) (Eurotech Group)</p> <p><b><u>Executive Director:</u></b>  Eth Devices S.o. (SK) (Eurotech Group)</p> <p><b><u>Director:</u></b>  Advanet Inc. (Japan) (Eurotech Group)  Delos S.r.l. (Eurotech Group)  Eurotech Finland Oy (Finland) (Eurotech Group)  EthLab Srl (Eurotech Group)  Parvus Corp. (USA) (Eurotech Group)</p> <p><b><u>Sole Director:</u></b>  Nexta Gen S.r.l.</p>
<b>Giampietro Tecchiolli</b>	<p><b><u>Chairman of the Board of Directors</u></b>  EthLab Srl (Eurotech Group)  Eurotech France S.A. (Gruppo Eurotech)</p> <p><b><u>Director:</u></b>  Eth Devices S.o. (SK) (Eurotech Group)</p> <p><b><u>Executive Vice President</u></b>  Consorzio ALC (Assisted Living Consortium)  EUROTECH SpA (Italy – Amaro (UD)) (Eurotech S.p.A. Group)</p> <p><b><u>Director</u></b>  DELOS S.r.l. (Eurotech Group)  E-Tech USA Inc. (Eurotech Group)  E-Tech Ltd (Eurotech Group)  Eurotech Ltd (Eurotech Group)  EVS – Embedded Vision Systems  U.A.T. Union Arrow Technology Inc. (Eurotech Group)</p> <p><b><u>Executive Director:</u></b>  Istituto di Genomica Avanzata di Udine (IGA)</p>
<b>Sandro Barazza</b>	<p><b><u>Chairman of the Board of Directors:</u></b>  IPS - Sistemi Programmabili S.r.l. (Eurotech Group)</p> <p><b><u>Director:</u></b>  EUROTECH SpA (Italy – Amaro (UD)) (Eurotech S.p.A. Group)  Eurotech Inc. (USA) (Eurotech Group)  Parvus Corp. (USA) (Eurotech Group)  Eurotech Ltd. (UK) (Eurotech Group)  Eurotech Finland Oy Finland (Eurotech Group)  Advanet Inc. (Japan) (Eurotech Group)  U.T.R.I. Unmanned Technology Research Institute – S.p.A. (Eurotech Group)  U.A.T. Union Arrow Technology Inc. (Eurotech Group)</p> <p><b><u>Statutory Auditor</u></b>  Spirit 21 Inc. (Eurotech Group)</p> <p><b><u>Substitute Auditor</u></b>  Gruppo Vinicolo Fantinel S.p.A. - “G.V.F. S.p.A.”  Colorprint S.p.A.</p>
<b>Chiara Mio</b>	<p><b><u>Director:</u></b>  EUROTECH SpA (Italy – Amaro (UD)) (Eurotech S.p.A. Group)  CO.MEC. Distretto della Componentistica e della Meccanica S.C.R.L.</p> <p><b><u>Statutory Auditor</u></b>  MCZ S.p.A.</p>

<b>Alberto Felice De Toni</b>	<p><b><u>Chairman of the Board of Directors:</u></b> Agemont S.p.A.</p> <p><b><u>Director:</u></b> EUROTECH SpA (Italy – Amaro (UD)) (Eurotech S.p.A. Group) The Business Games S.r.l.</p> <p><b><u>Member of the Executive Board:</u></b> Associazione Vicino/Lontano</p>
<b>Filippo Nicola Bagnato</b>	<p><b><u>Director:</u></b> EUROTECH SpA (Italia – Amaro (UD)) (Eurotech S.p.A. Group) Selex Service Management S.P.A. Alenia Aeronautica S.P.A. IVECO - OTO MELARA S.C.A R.L. Finmeccanica Consulting S.r.l. Fondazione Rosselli ATR</p>
<b>Giovanni Soccodato</b>	<p><b><u>Director:</u></b> Alenia Aeronautica S.p.A. Elsag Datamat S.p.A. Selex Sistemi Integrati S.p.A. Superjet International S.p.A. Telespazio Holding S.r.l. EUROTECH SpA (Italy – Amaro (UD)) (Eurotech S.p.A. Group)</p> <p><b><u>Director:</u></b> BDI DRS Technologies, Inc. MB MBDA</p> <p><b><u>Member:</u></b> C.d.S. Thales Alenia Space</p>
<b>Maurizio Tucci</b>	<p><b><u>Chairman of the Board of Directors</u></b> Associazione Nazionale Telecomunicazioni, Informatica ed Elettronica di Consumo – ANITEC Banca Impresa Lazio</p> <p><b><u>Chairman and Chief Executive Officer:</u></b> Alitalia Maintenance Systems S.p.A.</p> <p><b><u>Senior Advisor to the Chairman and Chief Executive Officer of Finmeccanica SpA</u></b></p> <p><b><u>Director:</u></b> EUROTECH SpA (Italy – Amaro (UD)) (Eurotech S.p.A. Group) Fondazione Musica per Roma Investimenti SpA Professor of Corporate Organisation at L.U.M.S.A. University, Rome</p>
<b>Cesare Pizzul</b>	<p><b><u>Board of Directors</u></b> FORT Srl (Italy – Sossano (VI)) SUNSHINE SpA (Italy – Sossano (VI)) EUROTECH SpA (Italy – Amaro (UD)) (Eurotech S.p.A. Group)</p> <p><b><u>Sole Director</u></b> WULFENIA BUSINESS CONSULTING gmbH (Austria – Klagenfurt)</p> <p><b><u>Executive Director</u></b> WULFENIA CONFIDA doo (Croatia – Rijeka) TEHNOGIPS doo (Croatia – Rijeka) PROMODOM doo (Croatia – Rijeka) LP NEKRETNINE doo (Croatia – Rijeka) Antwerp Corporate Management bvba (Belgium - Berchem) WULFENIA CONSULTING BELGIUM (Belgium - Berchem)</p>

With regard to the positions held by the Directors of Eurotech on the boards of directors and boards of statutory auditors of other companies, the Board of Directors does not currently deem it necessary to impose preset limits on the number of those positions. Without prejudice to the

obligation of each Director to assess the compatibility of his positions as director and statutory auditor at other companies listed on regulated markets, in financial companies, banks, insurance companies or large companies with diligent performance of the duties assumed as Director of Eurotech, the Board of Directors has decided that the number and nature of the positions held by its members in the aforementioned companies do not interfere and are compatible with effective performance of their positions at the Issuer. During the meeting that took place on 15 March 2010, the Board, after considering the review of the positions currently held by board members in other companies, decided that the number and nature of positions do not interfere and are compatible with effective performance of their roles as Directors of the Issuer.

#### **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 confirmation of the existence of the controls necessary for monitoring performance of the Company and Eurotech companies.

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 Articles of Association for the shareholders' meeting.

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

- (i) simplified mergers or demergers pursuant to Articles 2505, 2505-bis and 2506-ter, last paragraph, of the Civil Code;
- (ii) establishment or closure of branch locations;
- (iii) transfer of the registered office within Italy;
- (iv) indication of which Directors have been made legal representative;
- (v) reduction of share capital in the event of shareholders' exercising a right of redemption;
- (vi) amendment of the Articles of Association 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 Board of Directors of the Company assumed exclusive responsibility for the following tasks, in addition to the resolutions indicated above and without prejudice to the matters that cannot be delegated pursuant to the law :

- (i) examining and approving the strategic, business and financial plans of the Company and the corporate structure of the group that it heads; in particular, 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 compensation of the Chief Executive Officers and those who hold specific positions, as well as breakdown of the total compensation owed to individual directors if the shareholders'

meeting has not done so; determination of 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 shall carefully assess potential conflicts of interest, consider the information received from the Chief Executive Officers, and periodically compare 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 transactions with related parties;
- (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 or 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 2009, 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 the Issuer heads;
- examined and approved the corporate governance system of the Issuer and the structure of the group the Issuer heads, drafting and adopting the Company's corporate governance rules and the Group's governance guidelines;
- evaluated, at least on a quarterly basis, the appropriateness of the organisational, administrative and general accounting structure of the Issuer and its strategic subsidiaries put in place by the Chief Executive Officer, with particular reference to the internal control system and the management of conflicts of interest, according to the procedures adopted by the Issuer for this purpose; in the context of this activity the Board called on the support, as and when necessary, of the Internal Control Committee, the Head of Internal Control and the Director responsible for drafting the company's accounting documents, as well as the procedures and checks implemented pursuant to Law 262/2005; lastly, it should be noted that the Board, at its meeting on 15 March 2010, having considered the findings of the Internal Control Committee, evaluated the organisational, administrative and general accounting structure of the Company, and expressed a positive opinion on the internal control system and, more generally, the 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 who hold specific positions, and provided a breakdown of the total remuneration for individual directors, where the shareholders' meeting had not done so;
- evaluated, at least on a quarterly basis, the overall performance of operations, taking into account, in particular, the information received by the delegated bodies, and comparing the results achieved against projections on a regular basis;
- examined and approved in advance, in accordance with current regulations, (i) transactions of the Issuer and its subsidiaries that have significant importance from a strategic, business, asset or financial viewpoint 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, transactions with related parties; for more information on the management of conflicts of interest and transactions with related parties of the Issuer see paragraph 14 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 Articles of Association, 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 clause 19.2 of the Articles of Association, the Board of Directors – within the limits imposed by law or the Articles of Association – 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 clause 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 dimensions and characteristics carried out by the Company and its subsidiaries. Pursuant to Article 21 of the Articles of Association, the Board of Directors may appoint an Executive Committee, setting its term and number of members in advance. The Chairman, Vice Chairman/Chairmen (if there is more than one and if appointed) are *ex-officio* members of the Committee.

Pursuant to Article 22 of the Articles of Association, the procedures for the calling of meetings and the functioning of the Executive Committee, without prejudice to the provisions of applicable regulations or the Articles of Association – are defined by the specific Regulation approved by the Board of Directors.

#### **4.3. Meetings of the Board of Directors**

The Board of Directors meetings are chaired by the Chairman or, if he 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 in the cases set out above – calls the Board of Directors 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 Articles of Association. He also chairs the shareholders' meeting, performing the roles and functions set out in clause 10.2 of the Articles of Association.

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 members. The Board of Directors may also be called by two Statutory Auditors, upon notification to the Chairman of the Board of Statutory Auditors.

The Board of Directors held seven meetings during the financial year that ended on 31 December 2009, on: 27 February, 16 March, 16 May, 3 August, 28 August, 19 October and 13 November.

These meetings lasted one hour on average.

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

At least four Board of Directors meetings are planned for the current year, according to the calendar of Board meetings (previously communicated to the market and Borsa Italiana S.p.A. 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, it was envisaged that the Board of Directors would meet on the following dates:

- 14 May (approval of the first-quarter results to 31 March 2010);
- 27 August (approval of the first-half results to 30 June 2010);
- 12 November (approval of the third-quarter results to 30 September 2010);

The financial calendar is available in Italian and English at [www.eurotech.com](http://www.eurotech.com) in the “Investors” section.

#### **4.4. Delegated Bodies**

##### **a) Chairman of the Board of Directors**

Pursuant to Article 25 of the Bylaws, the Chairman is the legal representative of the Company and has power of signature for it. If he is absent or prevented from acting on a temporary basis, these powers are exercised by the Vice Chairman or Vice Chairmen according to the conditions set out in the Bylaws. The Chief Executive Officer(s) is/are also legal representatives of the Company, if appointed, within the limits of their delegated authority.

The Board of Directors meeting held on 23 May 2008 granted the Vice Chairman of the Board of Directors, Dr. Roberto Siagri, full powers of representation and ordinary management with free power of signature, including those envisaged in the following list which shall not be considered complete, in order to carry out and supervise organisation and management of the company and its subsidiaries:

##### **Legal representation:**

- to represent the Company before any third party;
- to represent the company, whether as complainant or defendant, before Civil and Criminal, Administrative and Financial Judicial Authorities, at all levels of court and jurisdiction, also as regards revocation and Supreme Court (Cassation) rulings - appointing and revoking, for the purpose, its lawyers, attorneys and experts - file complaints and lawsuits, prosecute in a civil case. Conciliate or mediate disputes and discontinue actions, settle disputes through arbitration, fulfilling all the formalities associated with arbitration awards;

- file all reports or declarations that the Company must submit pursuant to legal regulations;
- confer powers and appoint general and/or special attorneys, the latter ones authorised to carry out specific deeds or categories thereof within the limits of their authority.

#### Shareholders' Meetings:

- as the Company's representative, discuss and settle all administrative matters before any authority and agency, ministry or state entity, signing claims and appeals, apply for refunds and collect the same;
- represent the Company before all authorities, agencies or entities with jurisdiction over tax matters;
- file all reports or declarations that the Company must submit pursuant to legal regulations;
- sign and file tax returns and declarations;

#### Administrative and tax representation:

- sign and submit claims, appeals, objections and reservations against tax assessments, make arrangements and settle all tax matters; apply for refunds and collect the same;
- participate to tax audits by the tax police and any other authority, signing the relevant reports;
- file all reports or declarations that the Company must submit pursuant to legal regulations;
- request any authority with jurisdiction for administrative and public safety licenses, particularly trade licenses, including registration thereof in his own name as the Company's *pro-tempore* legal representative.

#### Representation before CONSOB and Borsa Italiana S.p.A.

- represent the Company before Consob and at 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 law and regulations;
- file all reports or declarations that the Company must submit pursuant to legal regulations.

#### Trademarks and Patents:

- deposit, abandon, limit and expand patents for inventions of ornamental, utility and industrial models, for factory and trade marks, both in Italy and at international level, protect them before administrative courts, carrying out any act required by current legal regulations, appointing correspondents for this purpose and granting them authority as necessary;
- represent the company for all matters regarding the deposit, registration, and cancellation of patent, trademark and utility model rights.

#### Representation at Affiliates:

- exercise voting rights and represent the Company at Shareholders' Meetings, consortia or other entities in which the Company has an equity interest, and exercise all the Company's other rights in relation to its ownership in such companies, consortia or other entities, delegating authority to others as necessary;
- represent the Company at the subsidiaries or foreign associates, as well as before representatives and customers outside Italy in general, and before foreign bodies and authorities in general.

Employees:

- Hire, suspend and terminate employees, with the exception of executives, execute the relevant agreements, defining their compensation, duties and any bonds, and satisfying all relevant obligations consequent upon administration of the employment relationships;
- make, amend and terminate agreements with external consultants and freelance workers;
- represent the Company before trade unions, with the power to settle disputes;
- represent the company before all authorities, entities and institutes in regard to labour matters;
- represent the Company before all social security and insurance institutions, satisfying the obligations imposed by applicable labour laws and regulations;

Sale Contracts:

- participate in the calls for tenders organised by state agencies, public and private entities in Italy and abroad, for the supply of goods and services in general, submit bids and, if the contract is awarded, grant authority for signing the contracts for each individual tender or bid for an amount up to Euro 5,000,000.00 (five million euros);
- sign and approve all deeds and agreements regarding the transfer of goods and provision of services, with the exception of capital assets, connected with the Company's activity and for a value of up to Euro 5,000,000.00 and/or for a term of three years or more;
- examine, amend, approve, sign and terminate contracts of sale and exchange, also entailing the receipt of commissions, finished products, semi-finished products, raw materials, goods to carry out company activities in the amount of up to Euro 2,500,000.00;

Agency agreements:

- examine, amend, approve, sign and terminate agency, commercial licensing or sub-licensing, commission and bailment agreements;

Company management agreements:

- examine, amend, approve, sign and terminate all deeds and agreements necessary to manage the company the individual value of which being less than Euro 1,000,000.00 and for a term of less than three years;
- examine, amend, approve, sign and terminate partnership contracts with universities and research institutes and joint venture agreements, without prejudice, in this latter case, to the sole jurisdiction of the Board of Directors for operations having a significant economic and financial effect pursuant to Consob regulations applying to listed companies;
- examine, amend, approve, sign and terminate lease agreements, including finance leases, commercial leases and sub-leases for the use of goods in the amount of up to Euro 500,000.00 and with a term of up to nine years;
- request all forms of new loans and credit lines from banks, amend, approve and cancel loans in Euro and/or foreign currency, with the power to sign the relevant documentation for amounts of up to Euro 2,500,000.00 for each loan and/or credit line with an overall annual limit of Euro 5,000,000.00 and excluding financial transactions in countries included on the black list kept by the Ministry of Economic Affairs;
- execute all transactions with factoring companies, including the signing of agreements, sale of receivables and/or acceptance of sales by suppliers, the establishment of guarantees, collection orders, discounting and anything else associated with factoring relationships;



- examine, amend, approve, sign and terminate supply contracts in general, including procurement contracts and contract work contracts in general, including service, work agreements or for the provision of goods and all relevant and consequent deeds for an amount equal to or less than Euro 1,000,000.00 per single agreement, other than the sale of goods, provision of services and participation in the tenders referred in the two indents above;
- define the guidelines for cash pooling operations such as, but not limited to, opening and closing of deposit accounts, swaps, negotiation of interest rates, opening and extinguishing operating mandates and all similar transactions in general.

#### Transport vehicles:

- represent the Company before all authorities and entities, signing all documents regarding the legal status of the transport vehicles and grant authorisations to drive Company-owned vehicles to employees or third parties.
- purchase, sell and exchange any road transport means of a value not exceeding Euro 100,000.00, fulfilling all the related formalities with the competent Bureau of Motor Vehicles, including the registration and cancellation of mortgages.

#### Financial transactions and Relations with banks:

- within the limits of the granted credit lines, execute any debit or credit transaction on the Company's current accounts held with banks and post offices inside and outside Italy, excluding the countries included on the black list published by the Ministry of Economic Affairs; issue, endorse, cash bank cheques, request the issue of banker's drafts, endorse and cash the same;
- issue, receipt and endorse bills of exchange; have issued, accept and endorse merchandise notes;
- make or release security deposits in cash or securities;
- deposit public or private securities with banks, under custody, trust or pledge accounts; withdraw them by issuing a receipt in release thereof;
- rent and cancel rental of safe deposit boxes, with the power to open them and remove their contents;
- issue bills of exchange and endorsements only to suppliers and for legal transactions, accept bills of exchange drawn by suppliers only and if issued against legally compliant orders.

#### Administrative files:

- collect postal and telegraph money orders, issuing receipts where required;
- pick up postal packets, registered and insured letters from all post offices, issuing receipts and quitclaims therefor;
- give and accept security deposits;
- execute 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:

- negotiate, sign and collect bills (bills of exchange and IOUs), promissory notes, cheques and any other trade instrument or bills, signing the relevant documents, endorsements and receipts;
- endorse bills, cheques and all other negotiable instruments for collection;

- file protests, issue orders to pay, take preventive and enforcement measures and possibly handle their revocation.

Correspondence and other documents:

- sign all company correspondence;
- issue, sign and issue receipts for invoices, debit and credit memoranda, and receive them;
- sign and issue waybills, transport bills, and receive them.

Collection of receivables:

- collect receivables, collect and withdraw cash and cash equivalents for any reason from any bank, entity and person, issuing receipts and releases;
- issue bills to customers and other debtors;
- serve notices of placement in default and have bank protests issued;
- take 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 revocation of those acts;
- file bankruptcy petitions, represent the principal in bankruptcy proceedings, file the relevant credit claims, certify their effective existence, vote in composition with creditors, collect final and partial distributions, participate in composition with creditors and receivership, carrying out all acts involved in those procedures.

Special mandates:

- within the limits of his own powers, grant mandates and special powers of attorney to Company employees and third parties that authorise the same to execute specific transactions and classes of transactions in the name 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, do whatever else is appropriate and necessary on behalf of the principal, with no exceptions apart from those specified, the foregoing list of powers to be considered as examples but not mandatory. All of the foregoing authority is granted with promise of full ratification and approval and full exemption of anyone from liability.

Specific activities:

- execute, amend and terminate 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 authority listed above, merely by way of example but not limited to those powers, all the operating powers of the Board of Directors itself, with the exception of those that cannot be delegated under the law or that are reserved to the exclusive jurisdiction of the Board of Directors or those assigned to the jurisdiction of the Company's Executive Committee, with the power of legal representation and free power of signature of the Company.

**b) Vice Chairman and Executive Director**

The Board of Directors meeting held on 23 May 2008 granted the Vice Chairman of the Board of Directors, Mr. Giampietro Tecchioli, full powers of representation and ordinary management with free power of signature, including those envisaged in the following list which shall not be considered complete, in order to carry out and supervise the organisation and management of the company and its subsidiaries.

**Legal representation:**

- represent the Company before any third party;
- represent the Company before any Italian or foreign judicial or administrative authority, at any level of jurisdiction, in disputes of any nature and vis-à-vis anyone;
- decide on and pursue actions in any judicial, civil, criminal and administrative venue, at any level of jurisdiction, both as plaintiff and as defendant;
- confer powers and appoint general and/or special attorneys, the latter ones with special powers to carry out specific deeds or categories thereof within the limits of their authority.

**Shareholders' Meetings:**

- as the Company's representative, discuss and settle all administrative matters before any authority and agency, ministry or state entity;
- represent the Company before all authorities, agencies or entities with jurisdiction over tax matters;
- file all reports or declarations that the Company must submit pursuant to legal regulations;
- sign and file tax returns and declarations;

**Trademarks and Patents:**

- deposit, abandon, limit and expand patents for inventions of ornamental, utility and industrial models, for factory and trade marks in Italy and at the international level, protect them before administrative courts, carrying out all acts as necessary pursuant to current law, appointing correspondents for this purpose and granting them authority as necessary;
- represent the company for all matters regarding the deposit, registration, and cancellation of patent, trademark and utility model rights.

**Representation at Affiliates:**

- exercise voting rights and represent the Company at shareholders' meetings, consortia or other entities in which the Company has an equity interest, and exercise all the Company's other rights in relation to its ownership in such companies, consortia or other entities, delegating authority to others as necessary;
- represent the Company at the subsidiaries or foreign associates, as well as before representatives and customers outside Italy in general, and before foreign bodies and authorities in general.

**Employees:**

- represent the company before all authorities, entities and institutions in regard to labour matters;

- represent the Company before all social security and insurance institutions, satisfying the obligations imposed by applicable labour laws and regulations;

#### Sale Contracts:

- participate in the calls for tenders organised by state agencies, public and private entities in Italy and abroad, for the supply of goods and services in general, submit bids and, if the contract is awarded, grant authority for signing the contracts for each individual tender or bid for an amount up to Euro 2,000,000.00;
- execute all documents and agreements regarding the sale of goods, with the exclusion of tangible assets, and the provision of services relevant to the Company's activity the value of which does not exceed Euro 1,000,000.00 (one million euros) and for less than three years;
- sign and terminate contracts of sale and exchange, also entailing the receipt of commissions, finished products, semi-finished products, raw materials, goods to carry out company activities amounting up to Euro 1,000,000.00;

#### Company management agreements:

- sign all deeds and agreements required to manage the company the individual value of which does not exceed Euro 250,000.00 and for a term of less than three years;
- sign and terminate partnership contracts with universities and research institutes.

#### Transport vehicles:

- represent the Company before all authorities and entities, signing all documents regarding the legal status of the transport vehicles and grant authorisations to drive Company-owned vehicles to employees or third parties;
- purchase, sell and exchange all land transport vehicles, with a limit of Euro 50,000.00 per road transport vehicle.

#### Financial transactions and Relations with banks:

- issue, receipt and endorse bills of exchange; have issued, accept and endorse merchandise notes;

#### Administrative files:

- collect postal and telegraph money orders, issuing receipts where required;
- pick up postal packets, registered and insured letters from all post offices, issuing receipts and quitclaims therefor;
- give and accept security deposits;
- execute 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:

- negotiate, sign and collect bills (bills of exchange and IOUs), promissory notes, cheques and any other trade instrument or bills, signing the relevant documents, endorsements and receipts;
- endorse bills, cheques and all other negotiable instruments for collection;

- file protests, issue orders to pay, take preventive and enforcement measures and possibly handle their revocation.

Correspondence and other documents:

- sign all company correspondence;
- issue, sign and issue receipts for invoices, debit and credit notes, and receive them;
- sign and issue waybills, transport bills, and receive them.

Collection of receivables:

- collect receivables, collect and withdraw cash and cash equivalents for any reason from any bank, entity and person, issuing receipts and releases;
- issue bills to customers and other debtors;
- serve notices of placement in default and have bank protests be issued;
- take 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 revocation of those acts;
- file bankruptcy petitions, represent the principal in bankruptcy proceedings, file the relevant credit claims, certify their effective existence, vote in composition with creditors, collect final and partial distributions, participate in composition with creditors and receivership, carrying out all acts involved in those procedures.

Special mandates:

- within the limits of his own powers, grant mandates and special powers of attorney to Company employees and third parties that authorise the same to execute specific transactions and classes of transactions in the name 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, do whatever else is appropriate and necessary on behalf of the principal, with no exceptions other than those specified, with the foregoing list of powers considered to be examples but not mandatory. All of the foregoing authority is granted with promise of full ratification and approval and full exemption of anyone from liability.

Specific activities:

- within the scope of the strategic guidelines issued by the Board of Directors and/or the Chairman, co-ordinate Company research and development, and in particular:
- take any initiative deemed necessary to realise corporate and group research and development programmes;
- take all measures deemed necessary to promote the study, design and fine-tuning of new products, exploiting the assistance of all members of the Company and Group organisation as defined in the Company and Group organisational chart, and using the creative talents and experience of all personnel;
- co-ordinate Group research and development activities, reporting to the Board of Directors on his activities on a monthly basis;
- chair and co-ordinate the activities of the Scientific Committee;
- within the scope of the strategic guidelines issued by the Board of Directors, co-ordinate Company research and development, and in particular:

- take any initiative deemed necessary to realise corporate and group research and development programmes;
- monitor public research projects and/or research projects subsidised by public entities, including supranational ones, and participate to those in which the Company and the Group have an interest as part of the strategic lines indicated by the Board of Directors and/or the Chairman;
- take all measures deemed necessary to promote the study, design and completion of new products, exploiting the assistance of all members of the 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 financial year, the delegated bodies reported to the Board of Directors on the activity carried out in the performance of their duties on a quarterly basis and in such a way as to enable the Directors to express their opinion on the subjects submitted to their examination with a certain degree of awareness.

#### **c) Executive Committee**

The Issuer's Board of Directors did not set up an internal Executive Committee.

#### **4.5. Other executive directors**

In accordance with Article 2.C.1 of the Code it is not considered that there are other directors that may be deemed to be executive directors.

Pursuant to Article 2.C.2 of the Code, the Chairman encourages the participation of directors in Board Meetings and in Shareholders' Meetings, as well as in other initiatives aimed at improving their knowledge of the dynamics and reality of the business, by means, for example, of face-to-face meetings between certain key directors of the Group.

#### **4.6. Independent directors**

Compliance by the current Independent Directors with the independence pre-requisites set out in Article 3 of the Corporate Governance Code and Article 148, section 3, letters b) and c) of the TUF was verified by the Board of Directors at its meeting held on 15 March 2010.

The Board of Statutory Auditors, in accordance with the Application Criteria 3.C.5 of the Corporate Governance Code, verified the correct application of the criteria and verification procedures adopted by the Board of Directors to assess the independence requisites of its members and the outcome of such verification will be disclosed in the report of the Statutory Auditors to the Shareholders' Meeting pursuant to art. 2429 of the Civil Code.

During 2009 the independent directors worked in harmony to maintain and promote a constant and active dialogue with the executive directors and the Financial Reporting Manager, with the goal of monitoring the trends of the performance of the company as well as setting its future direction.

#### **4.7. Lead Independent Director**

On 15 May 2008, the Board of Directors appointed Prof. Alberto Felice De Toni, a former Independent Director, as Lead Independent Director, to further enhance the role played by the Independent Directors in accordance with Corporate Governance best practices. The Lead Independent Director is the contact for coordinating the requests and contributions of Independent Directors and may also call Independent Directors' meetings, known as 'executive sessions', either independently or upon request by the other Directors.

During the 2009 financial year Prof. De Toni, the lead independent director, worked to coordinate the independent directors in dialogue with other members of the Board of Directors and in particular with the executive directors and the Financial Reporting Manager. The role involved holding necessary discussions and monitoring the frequency of information flow – also outside the parameters of formal meetings.

### **5. HANDLING OF CONFIDENTIAL INFORMATION**

#### **5.1. Inside information**

The Board of Directors of the Company, at the meeting of 2 September 2005, adopted an ad hoc "Internal Inside Information Regulation" which also regulates the procedures and methods for communicating documents and information on Eurotech to outsiders, especially inside information pursuant to articles no. 114 and 181 of the TUF according to the recommendations of Consob and Borsa Italiana S.p.A..

The purpose of this Regulation is to maintain the secrecy of inside information, whilst at the same time ensuring that market disclosures of Company information are fair, complete, adequate, timely and non-selective.

In general, the Regulation assigns responsibility for management of inside information to the Company's delegated bodies. The Regulation establishes specific procedures to be followed for external communication of Company documents and information, dwelling in particular 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).

#### **5.2. Code of Conduct – Internal Dealing**

As regards the management of disclosure requirements set out in the *Internal Dealing* regulations pursuant to art. 114, section 7 of the TUF and articles no.152 *sexies*, 152 *septies* and 152 *octies* of the Issuer Regulation applicable to listed companies from 1 April 2006, on 28 March 2006 the Company Board of Directors resolved to adopt the Internal Dealing Procedure (the "**Internal Dealing Procedure**"), designed to ensure maximum transparency and uniform market disclosures. During the meeting held on 29 March 2007, the Eurotech Board of Directors amended the Internal Dealing Procedure by prohibiting certain persons from executing transactions involving Eurotech securities in the 15 days preceding the Board of Directors' meeting called to approve period accounts ("black-out period"), pursuant to Article 2.2.3, section 3, letter p) of the Stock Market Regulation, applicable to issuers with the STAR qualification, as recently amended.

No communications were made with regard to relevant transactions pursuant to the Internal Dealing regulations carried out in the 2009 financial year as no such transaction took place.

Information is available on the Company's website (<http://www.eurotech.com/it/investitori/documenti%20societari/internal%20dealing>).

### **5.3. Register of people possessing inside information**

As regards the obligation of listed issuers, their parent companies and people acting in their name and on their behalf, to set up and manage a register of individuals with access to inside information pursuant to art.115-*bis* of the TUF and art. 152-*bis* and ff. of the Issuer Regulation (the “**Register**”), the Board of Directors of the Company resolved to set up such Register and approved the “Procedure for managing the Register of people with access to Inside information”, effective from 1 April 2006.

The Board of Directors then set up the Group Register of People with Access to Inside Information (“Group Register”), which replaces the Register kept at Eurotech, on behalf of all Eurotech Group companies, by the Andrea Barbaro in his capacity as Group Register Officer.

## **6. BOARD OF DIRECTORS COMMITTEES**

A Remuneration Committee and an Internal Control Committee were set up within the Company Board of Directors. It is worth noting that the Company did not set up a committee that carries out the duties of two or more committees provided for in the Corporate Governance Code nor did it establish committees that were not required by the Corporate Governance Code.

## **7. NOMINATION COMMITTEE**

Considering the Company’s size and organisational structure, at present the Board of Directors believes that there is no need to set up a Nomination Committee. Furthermore, following the amendments to the Bylaws in accordance with Law 262/2005, as amended, and the associated implementing regulations, the members of the Board of Directors are appointed by means of the voting list mechanism illustrated hereinabove, and thus on the basis of the lists containing the candidacies submitted by the shareholders owning the stakes specified in Article 14 of the Bylaws.

## **8. COMPENSATION COMMITTEE**

The Company Board of Directors set up a Compensation Committee in accordance with art. 2.2.3, section 3, letter n) of the Stock Market Regulation, applicable to the issuers with STAR qualification, and in accordance with the Corporate Governance Code. This Committee was set up pursuant to a resolution passed by the Board of Directors on 2 September 2005 and will hold office for the same term as that of the Board of Directors which appointed it.

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 the remuneration of top management.

In accordance with art. 2.2.3, section 3, letter n) of the Stock Market Regulation and articles no. 5 and 7 of the Corporate Governance Code, the Committee is exclusively comprised of 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 with regard to (i) the remuneration (including any stock option plans) of the Chief Executive Officers and those holding particular positions, and to (ii) the recommendations by the Chief Executive Officers, to determine the principles governing the remuneration of the Company’s top management, without prejudice to the prerogative of the Board of Directors, pursuant to art. 2389, section 2 of the Italian Civil Code, to determine the remuneration of Directors holding specific positions.



Moreover, the Committee periodically reviews the criteria used to determine the compensation of Company top 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.

During the financial year ended on 31 December 2009 the Remuneration Committee held one meeting on 6 March 2009 which was duly minuted. The objective of the meeting was to confirm remuneration for 2009 for directors with specific executive responsibilities and the proposal for variable remuneration for the key figures of Eurotech S.p.A. In addition, some principles were defined for deciding the variable components of the remuneration of key figures in the Eurotech Group.

The meeting lasted approximately two hours.

In the current financial year two meetings are planned. The first one was held on 19 february 2010 and the second is planned on 15 October 2010.

In the performance of its duties, the Remuneration Committee was able to access information and the necessary company functions to carry out its tasks as well as to contact external consultants within the limits set by the Board of Directors.

No financial resources were allocated to the Remuneration Committee as it carries out its duties using Company means and structures.

On 15 May 2008 the Board of Directors appointed Mr. Cesare Pizul (Chairman), Ms. Chiara Mio and Mr. Alberto Felice De Toni (all independent non-executive directors) as members of the Committee.

## **9. DIRECTORS' REMUNERATION**

As prescribed by Article 20 of the Bylaws, the members of the Board of Directors are entitled to an annual fee, established by the Shareholders' Meeting for the entire period of their term, as well as to a reimbursement of the expenses incurred in the performance of their duties. After receiving the opinion of the Board of Statutory Auditors, the Board of Directors determines the compensation of the Chairman, Vice Chairmen, Chief Executive Officers and members of the Executive Committee. Alternatively, the Shareholders' Meeting may determine a total amount for compensation of all Directors, including those assigned special duties, with the allocation of the aggregate amount being determined by the Board of Directors upon consultation with the Board of Statutory Auditors.

A considerable part of the remuneration of the executive directors and managers with strategic responsibilities is linked to the economic results achieved by the Company and/or the achievement of specific objectives set by the Board of Directors.

The fees paid to non-executive directors are based on the commitment requested from each of them, considering their participation to one or more committees. Their fees are not linked to the performance of the Issuer. Non-executive directors are not entitled to share-based incentive plans.

The Shareholders' Meeting of 5 may 2008 resolved to fix the overall remuneration of the Board of Directors, including any fees due to Board members holding specific offices in the financial years from 2008 to 2010 - to be allocated also in a non proportional manner based on a subsequent resolution by the Board - at € 900,000.

The following table illustrates the emoluments received by the members of the Board of Directors, as reported in the draft financial statements at 31 December 2009.

31/12/2009							
Nome e Cognome	Carica Ricoperta	Periodo per cui è stata ricoperta la carica	Scadenza della Carica	Emolument i per la carica nella società che redige il bilancio	Benefici non monetari	Bonus e altri incentivi	Altri Compensi
Bagnato Filippo Nicola	Consigliere	01.01.2009 - 31.12.2009	Approvazione Bilancio 2010	7.000			
Barazza Sandro	Consigliere	01.01.2009 - 31.12.2009	Approvazione Bilancio 2010	7.000	2.534		102.775
De Toni Alberto Felice	Consigliere	01.01.2009 - 31.12.2009	Approvazione Bilancio 2010	20.000			
Mio Chiara	Consigliere	01.01.2009 - 31.12.2009	Approvazione Bilancio 2010	20.000			
Pizzul Cesare	Consigliere	01.01.2009 - 31.12.2009	Approvazione Bilancio 2010	20.000			
Siagri Roberto	Presidente del Consiglio di Amministrazione - Amministratore Delegato	01.01.2009 - 31.12.2009	Approvazione Bilancio 2010	337.000	3.330		9.600
Soccodato Giovanni	Consigliere	01.01.2009 - 31.12.2009	Approvazione Bilancio 2010	7.000			
Tecchiolli Giampietro	Consigliere Amministratore Delegato	01.01.2009 - 31.12.2009	Approvazione Bilancio 2010	227.000			9.600
Tucci Maurizio	Consigliere	01.01.2009 - 31.12.2009	Approvazione Bilancio 2010	7.000			

#### 9.1. *Indemnities paid to directors in the event of resignation, firing or termination of office following a public offer (pursuant to art. 123-bis, section 1, letter i) of the TUF)*

There are no agreements between Eurotech and the Directors providing for the payment of indemnities to the latter in the event that they resign or are dismissed without cause or if the employment relationship terminates following a public 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 delegated the Chairman of the Board of Directors with the task of defining and adopting internal operating and administrative procedures that could ensure healthy and efficient company management.

In accordance with art. 2.2.3, section 3, letter o) of the Stock Market Regulation, applicable to issuers with STAR qualification, and art 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 and, more specifically, it has the following specific duties:

- (i) assist the Board of Directors in defining the guidelines of the internal control system
- (ii) assist the Board of Directors in conducting periodic audits to verify that the internal control system is adequate and operates effectively;
- (iii) assess the work plan prepared by the Compliance Officer and the periodic half-year reports submitted by him;
- (iv) in collaboration with the administrative officers of the Company and the auditors, assess the adequacy of the accounting principles used and verify that they are uniformly applied in the preparation of the consolidated financial statements;
- (v) assess the proposals made by the external audit firm for the related engagement, the work plan prepared to audit the Company's accounts and the results set out in its audit report and management letter;
- (vi) report to the Board of Directors on the activities carried out by the Committee and on the adequacy of the internal control system at least once every six months, on the occasion of the approval of the annual and half-yearly reports;
- (vii) carry out the additional duties assigned by the Board of Directors to the Committee, more specifically the relationships with the independent auditor.

At the meeting held on 15 May 2008 the Board of Directors appointed Ms. Chiara Mio (Chairman), Mr. Cesare Pizul and Mr. Alberto Felice De Toni (all independent non-executive directors) as members of the Committee.

The Internal Control Committee reported to the Board of Directors on the activities carried out by the Committee and on the adequacy of the internal control system at least once every six months, on the occasion of the approval of the annual and half-yearly reports.

All the members of the Internal Control Committee have sufficient experience in accounting and financial matters. The Internal Control Committee held four meetings during the year that ended on 31 December 2009: on 6 March, 27 April, 31 July and 13 November. All these meetings were duly minuted.

The meetings lasted, on average, approximately one hour and 30 minutes.

During the 2009 financial year an analysis was carried out of the development of internal procedures and processes for monitoring risk for the current and subsequent periods, as well as the periodic exchange of information with the Board of Statutory Auditors and the Supervisory Body, aimed at identifying the emergence of any critical factors in the respective areas of competence.

In the meeting of the 13 November a statutory auditor was present, representing the entire Board of Statutory Auditors.

In the current financial year at least two meetings are planned on dates to be decided on the basis of the requirements of the Company and of the Board of Statutory Auditors.

Participation in the Internal Control Committee's meetings by non-members only took place upon invitation by the Chairman of the Committee.

In the performance of its duties, the Internal Control Committee can access information and the company functions required to carry out its tasks as well as to contact external consultants within the limits set by the Board of Directors.

No financial resources were allocated to the Internal Control Committee as it carries out its duties using Company means and structures.

## 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.

Thus, for the entire 2009 financial year, the internal control system has been organised and managed by four bodies: The Board of Directors, the Chief Executive Director in charge of overseeing the operation of the internal control system (the “Delegated Officer”), the Compliance Officer and the Internal Control Committee (see paragraph 11 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 through the definition of internal control system guidelines that can ensure that these risks are properly identified and adequately measured, monitored, managed and assessed, also vis-à-vis the safeguard of corporate assets and healthy and fair corporate management;
- (ii) periodically, and at least annually, assesses the adequacy, effectiveness and efficient operation of the internal control system.

During the financial year ended on 31 December 2009, and more specifically on 15 March 2010 the Board of Directors assessed the adequacy, effectiveness and efficient operation of the internal control system.

### 11.1. *Executive director in charge of the internal control system*

The Delegated Director is responsible for:

- (i) identifying typical corporate risks, according to the characteristics of the Company’s activity and that of its subsidiaries as well as the sector in which they operate;
- (ii) through the design, management and monitoring of the internal control system, implement 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.

On 15 May 2008 The Board of Directors designated Chairman and Executive Director Siagri Roberto as Delegated Director.

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

- (c) attend the meetings of the Board of Directors and the Internal Control Committee to which he has been invited;
- (d) immediately inform 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) verify 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 information as useful in regard to his functions and avails of adequate resources.

The duties of the Compliance Officer are carried out by Eng. Andrea Barbaro, appointed by the Board of Directors on 15 May 2008 upon proposal of the Delegated Director and after hearing the Internal Control Committee.

In the 2009 financial year the Internal Control Committee had direct access to all the information required for the performance of his duties.

No financial resources were allocated to the Compliance Officer as he carries out his duties using the Issuer's means and structures.

No fee was fixed for the Compliance Officer.

In FY 2009 the Internal Control Officer reported on its activities to the Internal Control Committee, the Board of Statutory Auditors and the Delegated Director.

The principal activities carried out in FY 2009 concern analysis of the risks connected with the business and auditing of corporate procedures regarding those risks.

### **11.3. *Organisational Model pursuant to Law Decree 231/2001***

The Organisation, Management and Control Model pursuant to Law Decree no. 231 of 8 June 2001 (the "Model") was approved on 29 March 2008.

The Model is inspired by:

- a) the Stock Market Regulation;
- b) the Corporate Governance Code issued by Borsa Italiana in March 2006, which is completely referred to herein;
- c) the Guidelines for drafting Organisational, Management and Control Models pursuant to Law Decree no. 231/01, approved by Confindustria on 7 March 2002 and subsequently amended.

The Model envisages the following:

1. Supervisory Body
  - a. Designation of an existing body as such or establishment of a new body
  - b. Definition of the flow of information from and to the Supervisory Body
2. Identification of the principal areas at risk of criminal offences (Articles 24 and 25)
  - a. Historic Analysis
  - b. Identification of the principal corporate areas involved in possible cases of criminal offence
  - c. Identification of affected persons

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 programme
  - 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

As the Supervisory Body terminated its office as soon as the term of the previous Board of Directors' expired, on 15 May 2008 Ms. Chiara Mio, Mr. Andrea Barbaro and Mr. Marco Polo were appointed as new members of the Supervisory Body. The new members possess all the requisites prescribed by the Law.

#### **11.4. Independent auditor**

The independent auditor in charge of auditing the Company's accounts is Reconta Ernst & Young S.p.A..

The audit engagement was resolved upon by the Ordinary Shareholders' Meeting of 21 July 2005 for a three-year term from 2005-2007 and, through resolution passed by the Ordinary Shareholders' Meeting of 7 May 2007, the above engagement was renewed for the next six financial years (2008, 2009, 2010, 2011, 2012 and 2013).

#### **11.5. Financial Reporting Manager**

Pursuant to art. 19, section 4 of the Bylaws, as amended by Shareholders' resolutions passed on 22 June 2007, the financial reporting manager (the "Financial Reporting Manager") must be appointed by the Company's Board of Directors after mandatory consultation with the Supervisory Body. Finally, he must be selected among those possessing professional requisites such as

expertise in accounting and administration and must be granted adequate powers and necessary means to carry out the duties illustrated above as well as be paid a suitable remuneration for the performance of the assigned tasks.

The Board of Directors, by resolution passed on 10 August 2007, appointed Dr. Eros Goi as Financial Reporting Manager pursuant to art. 154-bis of the TUF. Subsequently, following the resignations tendered by Dr. Goi with effect from 6 June 2008, the position of Financial Reporting Manager was assigned to Dr. Sandro Barazza by the Board on 23 May 2008.

Furthermore, the Financial Reporting Manager, is granted the widest possible powers directly and/or indirectly related to the performance of the duties assigned to him, including, for example, the power to access all types of information and/or documents regarding the Company and/or Group companies as deemed relevant and/or appropriate for discharging the duties assigned to him by law.

### **11.6 Principal characteristics of existing risk management and internal control systems relating to the process of financial reporting pursuant to Article 123-bis, paragraph 2(b), Consolidated Text on Finance (TUF)**

#### **11.6.1 Introduction**

According to the Code, the internal control system is the sum total of all the regulations, procedures and organisational structures aimed at facilitating, through an appropriate process of identification, measurement, management and monitoring of the principal risks, management of the business that is sound, correct and in line with preset objectives.

The definition offered in 1992 by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) identifies the Internal Control System as a process aimed at providing reasonable certainty that targets will be met regarding the efficiency and effectiveness of the laws and regulations in force.

In line with these definitions, the system for managing existing risks relating to the process of financial reporting in Eurotech forms one of the components of the wider-ranging Internal Control System of the Group.

#### **11.6.2 Description of the principal characteristics of existing risk management and internal control systems relating to the process of financial reporting**

##### **a) General operating principles of the Internal Control System**

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

- Eurotech's Code of Ethics;
- A well-defined organisational structure with clearly-determined responsibilities;
- Business Policies and Procedures;
- Information Systems (especially in relation to objectives regarding the appropriate allocation of roles);
- Management control and the management reporting system;
- The continuous training of the company's personnel;
- A structured and controlled process of external communication.

Following the definitions for the Internal Control System provided in the Introduction, “control” is understood as an action taken by management in order to increase the probability that preset objectives are reached or to reduce the impact of potential risks associated with these objectives. These controls may be carried out either *ex-ante* (in order to prevent undesirable events) or *ex-post* (to reduce or correct the impact of undesirable events that have already taken place).

It is the responsibility of the directors and managers of the company, each within his/her sphere of competence, to:

- Identify and evaluate the inherent risks of the company’s operations;
- Define and establish policies, operating norms, procedures, systems or other instruments for reducing to a minimum the probability and/or impact of potential risks;
- Impart operating instructions that include control processes and encourage colleagues to carry out their roles in a way that is both controlled and controllable;
- Maintain the adequacy and efficiency of control processes that have been established.

The four fundamental objectives regarding control operations that each and every manager is required to guarantee are:

1. Safeguarding company resources, including both human and financial resources;
2. Guaranteeing the reliability of data and information used internally or communicated externally;
3. Promoting efficient and effective business behaviour;
4. Guaranteeing that top management guidelines (including budgets, plans, policies and procedures etc.) are respected and executed in conformity with the laws and regulations on the basis of which the Company operates.

b) The Internal Control System within the process of Financial Reporting

Of the four objectives cited at the end of paragraph (a), the second and the fourth are strictly related to the process of financial reporting governed principally by the Chief Executive Officer and the Financial Reporting Manager for the drawing up of the company’s financial statements in accordance with Article 154-*bis* of Legislative Decree 58/98.

The Chief Executive Officer and the Financial Reporting Manager, in line with the operating principles of Eurotech’s Internal Control System, annually identify, in a prudent and scrupulous manner, the principal risks weighing on the process of financial reporting. The process of risk identification involves ascertaining which group companies and operating flows are susceptible to material errors or fraud, with reference to the size of amounts that appear in items in the statutory financial statements and/or consolidated financial statements of Eurotech S.p.A.

Responding to risks that have been identified and evaluated according to criteria of likelihood of occurrence and the materiality of the event with reference to the financial statements, adequate control procedures are envisaged that are determined according to their design and their periodic functioning. The determination of the design of the control procedures contributes to guaranteeing an adequate response to the risks for which the procedure has been designed. The evaluation of their operation over time guarantees that the adequacy of the procedures is maintained during the financial reporting period in question.



c) Roles and responsibilities within the Internal Control System

Having established the responsibility of each manager as described in paragraph (a), the main players in the Internal Control System in the process of financial reporting are:

- The Chief Executive Officer and the Financial Reporting Manager, pursuant to Article 154-*bis* of the TUF (Consolidated Text on Finance), who have the responsibility of defining and evaluating specific control procedures in relation to risks in the process of the preparation of financial documents;
- The Internal Control Committee, that analyses the results of audit activities on the Internal Control System and periodically reports to the Board of Directors as regards any action that should be taken;
- The Supervisory Body, pursuant to Legislative Decree 231/01, that intervenes within the scope of its activities of supervision regarding corporate criminal offences envisaged by Legislative Decree 231/01, identifying risk scenarios and verifying in first person that control parameters have been respected. In addition, the Supervisory Body monitors the compliance with and application of the Group's Code of Ethics.

## **12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS**

Transactions with related parties are currently delegated to the purview of the Company Board of Directors. The possibility of subjecting certain transactions with related parties to the authority of one or more delegated bodies is being studied, and specifically in regard to commercial transactions that are part of normal Company business or that are settled on an arm's-length basis, or with subsidiaries. The possibility of introducing the aforesaid change will be evaluated by the Board of Directors also taking account of the changes occurred in the Eurotech Group structure following the acquisitions made in the 2009 financial year and, in any case, in accordance with the new regulations governing related party transactions which are due to be issued in the near future.

## **13. APPOINTMENT OF STATUTORY AUDITORS**

Pursuant to Article 26 of the Bylaws, the Board of Statutory Auditors is comprised of three Permanent Auditors and two Alternate Auditors. They hold office for a three-year term which expires on the date of the Shareholders' Meeting called to approve the financial statements of the last financial year of their term. They may be re-elected. The Statutory Auditors must satisfy the requirements, including those governing the holding of several offices at the same time, envisaged by law and other applicable provisions. Pursuant to Article 1(3) of Ministry of Justice Decree no. 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 indicated on the lists in sequential order. The list is made up two parts: one for the candidates for the position of permanent auditor, the other one for the candidates for the position of alternate auditor. Only those shareholders who, either individually or in combination with others, together own voting shares equivalent to at least 2 (two) per cent of the voting shares at the Ordinary Shareholders' Meeting, or representing any different percentage that might be established or cited by statutory or regulatory provisions may submit lists. By resolution no. 17148 of 27 January 2010, Consob fixed at 4.5% the percentage of share capital required for submitting the lists of candidates for the election of the Issuer's controlling body for the financial year ended on 31 December 2009. Each Shareholder, as well as the

shareholders undersigning a shareholders' agreement relevant to art. 122 of the TUF, the parent company, subsidiaries and joint ventures pursuant to art. 93 of the TUF, cannot submit or participate in submitting, even through a third party, more than one list or cannot vote different lists. 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, section 2 of the TUF. Outgoing statutory auditors may be re-elected. The submitted lists must be deposited at the Company's registered office at least fifteen days before the scheduled date of the Shareholders' Meeting on its first call, and mention thereof shall be made in the notice of call, without prejudice to any other forms of public notice and procedures of deposit required pursuant to any applicable laws and regulations. If, upon expiration of the deadline for submitting the lists, just one list has been submitted, or only lists submitted by Shareholders who are associated by relevant relationships pursuant to applicable law and regulations, lists may be submitted until the fifth day after that date; in that case the minimum threshold for submitting the lists is reduced by a half.

The lists must contain:

- a) information on the identity of the shareholders that submitted the lists, with an indication of their total shareholding and certification issued by a legally authorised intermediary attesting to their ownership of that 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 candidate's experience and qualifications, and a statement by the candidates themselves attesting to their satisfaction of legal requirements and acceptance of candidacy, as well as the list of any management and supervisory positions held at other companies.

Any list that does not comply with the foregoing requirements will be ignored.

The statutory auditors are elected as follows:

- 1) two statutory auditors and one alternate auditor are elected from the list that received the highest number of votes cast at the Shareholders' Meeting, according to the progressive number in which they are indicated on the respective sections of the list;
- 2) one permanent auditor, who shall be Chairman of the Board of Statutory Auditors, and the other alternate auditor are elected from the list that received the second highest number of votes cast 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 that received the highest number of votes, according to the sequential number in which they are indicated on the respective parts of the list. In the case of a tie vote between two or more lists, the oldest candidates shall be elected as permanent auditor.

A permanent auditor forfeits his position in the cases envisaged by law and regulation, and when the requirements established in the Bylaws for his candidacy are no longer met. When a statutory auditor's seat is vacated, it is filled by the alternate 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 called to appoint the permanent and/or alternate auditors required to integrate the Board of Statutory Auditors the procedure shall be as follows: if the replacement concerns the auditors elected in the majority list, the appointment is by relative majority vote without any list constraint; where, instead, the replacement concerns the auditors elected in the minority list, the shareholders'

meeting will appoint them by relative majority vote, choosing them among the candidates indicated in the list of the auditor to be replaced. Should the above procedure, for any reason, prevent the replacement of the auditors designated by the majority, the shareholders will appoint them by relative majority vote; however, the results of this last voting will exclude the votes of those shareholders who, according to the notices served pursuant to applicable laws and regulations, own directly or indirectly or jointly with other shareholders belonging to a relevant shareholders agreement pursuant to Article 122 of the TUF, the relative majority of votes that can be cast at the shareholders' meeting, as well as those of the shareholders that control, are controlled or are subject to joint control with them shall not be counted. The preceding provisions for election of statutory auditors do not apply at the Shareholders' Meetings where just one list is submitted or just one list is voted. In these cases the Shareholders' Meeting decides according to a relative majority.

#### **14. STATUTORY AUDITORS**

In the financial year ended on 31 December 2009 the composition of the Board of Statutory Auditors underwent several changes.

On 5 May 2008, the Ordinary Shareholders' Meeting, following the expiry of the previous controlling body, appointed a new Board of Statutory Auditors, and namely Mr. Claudio Siciliotti, Mr. Nicola Cavalluzzo and Mr. Lorenzo Ginisio as permanent auditors, and Ms. Michela Cagnolini and Mr. Marci Rubatto as alternate auditors. On that occasion, as prescribed by art. 26 of the Bylaws, as no list had been presented, the Shareholders' Meeting resolved according to the legal majorities prescribed in the absence of a voting list, upon proposal of the shareholder Mr. Dino Feragotto.

Subsequently, on 4 September 2008, following the resignations of the Permanent auditors Mr. Nicola Cavalluzzo and Mr. Lorenzo Ginisio, pursuant to art. 2401, section 1 of the Italian Civil Code, the Alternate auditors Ms. Michela Cignolini and Mr. Marco Rubatto took over and held office until the next meeting was held.

As a result of the aforementioned resignations, the Shareholders' Meeting was called on 27 April 2009 to integrate the Board pursuant to art. 2401, section 1, of the Civil Code. At such meeting three auditors were appointed, namely: Mr. Giuseppe Pingaro, as Permanent auditor, upon proposal of Finmeccanica S.p.A., Shareholder that signed the Shareholders' Agreement; Ms. Michela Cignolini, as Permanent auditor, and Mr. Lorenzo Spinnato, as Alternate auditor, both upon proposal of Mr. Giampietro Tecchiolli, Shareholder that signed the Shareholders' Agreement.

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

As regards the disclosure requirements prescribed by art. 78 of the Issuer Regulation, the following table indicates the emoluments paid to the auditors in the financial year ended on 31 December 2009 according to the criteria indicated in Attachment 3C contained in the same Regulation.

Name and Surname	Office Held	Term of office	Office expires	Emoluments for the office held at the Company preparing the accounts	Non-monetary benefits	Bonuses and other incentives	Other fees
Siciliotti Claudio	Chairman of the Board of Statutory Auditors	01.01.2009 - 31.12.2009	Approval of 2010 Financ. Statements	30,000			
Cignolini Michela	Permanent Auditor	01.01.2009 - 31.12.2009	Approval of 2010 Financ. Statements	20,000			
Rubato Marco	Permanent Auditor	01.01.2009 - 27.04.2009	In office until Approval of 2009 financial statement	6,667			
Pingaro Lorenzo	Permanent Auditor	27.04.2009- 31.12.2009	Approval of 2010 Financ. Statements	13,333			

The professional *curricula* of the Statutory Auditors are deposited with the registered office and available on the Issuer's website [www.eurotech.com](http://www.eurotech.com) under the Investors section.

**The following table shows the offices held by the members of the Board of Statutory Auditors at other Companies referred to in Book V, Title V, Chapter v, vi, vii of the Civil Code.**

Name and surname	Position at Eurotech	Positions held and Companies:
Claudio Siciliotti	Chairman	<p><b><u>Chairman of the Board of Statutory Auditors</u></b>  Advanced Global Solution A.G.S. S.p.A., Novara (NO);  C.O.A.S. Italia S.p.A., Ghemme, (NO);  Concast Technologies S.r.l., Udine (UD);  Elveca S.p.A., Galliate (NO);  EUROTECH SpA (Italy – Amaro (UD)) (Eurotech S.p.A. Group)  FriulanaGas S.p.A., Campoformido (UD);  Germacar Auto S.p.A., Zoppola (PN);  Gia S.p.A., Trecate (NO);  Lextel S.p.A., Rome (RM);  SMS Concast Italia S.p.A., Udine (UD);  Thermokey S.p.A., Teor – Rivarotta (UD),</p> <p><b><u>Permanent Auditor:</u></b>  E.F.Fim S.p.A., Udine (UD);  Edilfriuli S.p.A., Udine (UD);  Leasing '79 S.p.A., Premariacco (UD);  Prestitalia S.p.A., Rome (RM);  Sartogo S.p.A., Udine (UD);  Valagro S.p.A., Atessa (CH).</p> <p><b><u>Alternate Auditor</u></b>  Amato Re S.r.l., Novara, (NO);  B.P. Sedie S.p.A., Buttrio (UD);  Cefin S.p.A., Pordenone (PN);  Finanziaria 2008 S.p.A., Udine (UD);  Geber S.p.A., Tavagnacco (UD);  Germacar di Cesaro Sergio S.p.A., Pordenone (PN);  Germacar Immobiliare S.p.A., Zoppola (PN);  Germacar S.r.l., Villesse (GO);  Germacar Udine S.p.A., Tavagnacco (UD);</p>

		<p>Rizzani De Eccher S.p.A., Pozzuolo del Friuli (UD);  RTH Group S.p.A., Udine (UD);  Sager S.p.A., San Giovanni al Natisone (UD);  Stark S.p.A.; Trivignano Udinese (UD);  Tardivello Gregorio &amp; C. S.p.A., Udine (UD).</p> <p><b><u>Chairman of the Board of Directors:</u></b>  Congress S.r.l. Unipersonale, Rome (RM);  Hypo Alpe-Adria-Finance S.r.l., Udine (UD).</p> <p><b>Directors:</b>  Delta Erre S.p.A., Padua (PD);  Koinos Cooperativa Informatica Organizzazione Servizi dei Dottori Commercialisti, Milan (MI).</p> <p><b><u>Sole Director:</u></b>  Cirano S.r.l., Udine (UD)</p> <p><b><u>Supervisory Director:</u></b>  OIC – Organismo Italiano di Contabilità, Rome (RM).</p>
<b>Rubatto Marco</b>	<b>Alternate Auditor</b>	<p><b><u>Permanent Auditor:</u></b>  Sestriere Vernici S.p.A. via Quarto 11 Nichelino (TO)</p> <p><b><u>Chairman of the Board of directors</u></b>  Consorzio Energie per il Territorio, via Pianezza 123 Turin</p> <p><b><u>Alternate Auditor:</u></b>  CNA Servizi S.r.l., via Millio 26 Turin  EUROTECH SpA (Italy – Amaro (UD)) (Eurotech S.p.A. Group)</p> <p><b><u>Chief Executive Officer</u></b>  Paarl Consulting S.r.l., str.antica di Grugliasco 116 Grugliasco (TO)</p>
<b>Michela Cignolini</b>	<b>Permanent Auditor</b>	<p><b><u>Chairman of the Board of Statutory Auditors:</u></b>  Germacar S.r.l., Villesse (GO);  Germacar di Cesaro Sergio S.p.A., Pordenone (PN).</p> <p><b><u>Permanent Auditor:</u></b>  Amato Re S.r.l., Novara, (NO);  B.P. Sedie S.p.A., Buttrio (UD);  Cefin S.p.A., Pordenone (PN);  Concast Technologies S.r.l., Udine (UD);  Effezeta S.p.A., Premariacco (UD);  EUROTECH SpA (Italy – Amaro (UD)) (Eurotech S.p.A. Group)  Geber S.p.A., Tavagnacco (UD);  RTH Group S.p.A., Udine (UD);  SMS Concast Italia S.p.A., Udine (UD).</p> <p><b><u>Alternate auditor:</u></b>  Certicomm – Autorità Nazionale di Certificazione in liquidazione, Rome (RM);  FriulanaGas S.p.A., Campoformido (UD);  Germacar Auto S.p.A., Zoppola (PN);  Germacar Immobiliare S.p.A., Zoppola (PN);  Germacar Udine S.p.A., Tavagnacco (UD);  Leasing '79 S.p.A., Premariacco (UD);  Prestitalia S.p.A., Roma (RM);  Sager S.r.l., San Giovanni al Natisone (UD);  Tardivello Gregorio &amp; C. S.p.A., Udine (UD);  Thermokey S.p.A., Teor – Rivarotta (UD).</p> <p><b><u>Chairman of the BoD:</u></b>  Private Trust Company S.r.l., Milan (MI).</p> <p><b><u>Sole Director:</u></b>  Giustidue S.r.l., Udine (UD)</p>

<b>Pingaro Giuseppe</b>	<b>Permanent Auditor</b>	<b><u>Permanent Auditor:</u></b> Eurotech S.p.A.
<b>Lorenzo Spinnato</b>	<b>Alternate Auditor</b>	<b><u>Chairman of the Board of Statutory Auditors:</u></b> Ca' Ross S.p.a. (VI) DeltaGas S.r.l. (RO) <b><u>Permanent Auditor:</u></b> Sapilseco S.r.l. (PD) Valcom's S.p.A. (PD) Friulanagas S.p.A. <b><u>Alternate auditor:</u></b> Bedeschi S.p.A. (PD) Barbato S.r.l. (PD) Eurotech S.p.A. (Gruppo Eurotech) Forema S.c.a.r.l. (PD) Nuova Franco Suisse Italia S.r.l. (PD) <b><u>Official receiver:</u></b> Agenzia Trasporti Vettore S.n.c. di rosante Maurizio&C. (PD) Mewal S.r.l. (PD) Micronplast S.r.l. (PD) Eurodental 2000 S.r.l. (PD) Cross Trade S.r.l. (PD) S.G.M. S.r.l. (PD) Campesato Impianti S.r.l. (PD) Rodi Veicoli Industriali S.r.l. (PD) R.P. 2000 S.r.l. (PD)

In the 2009 financial year 7 (seven) meetings of the Board of Statutory Auditors were held on the following dates: 23 February, 1 April, 15 May, 20 July, 6 August, 19 October and 13 November.

The meetings lasted, on average, approximately two hours.

In the current financial year five meetings are planned, on the following dates: 2 May, 19 July, 25 October and one that has already taken place, on 1 February 2010. A further meeting is planned for March on a date that is yet to be decided.

The Board of Statutory Auditors verified that its members met the independence requirements, already checked upon appointment, prescribed by the provisions of the Corporate Governance Code regulating the independence of Directors. The outcome of such verification will be communicated in the Report by the Statutory Auditors to the Shareholders' Meeting pursuant to art. 2429 of the Italian Civil Code.

The Statutory auditor who, on his own account or on behalf of third parties, has an interest in a certain transaction of the Issuer, must promptly and exhaustively inform the other statutory auditors and the Chairman of the Board about the nature, terms, origin and extent of his interest. The Board of Statutory Auditors regularly monitors the independence of the independent auditors, verifying compliance with all regulations governing the subject-matter as well as the nature and extent of the services provided and reporting on their findings in their annual report to the Shareholders' Meeting.

The Board of Statutory Auditors, in accordance with the application criterion 10.C.4 of the Civil Code, has monitored the independence of the independent auditors, verifying compliance with the regulations on the matter as well as the nature and extent of any services other than audit

ones provided to the Issuer and its subsidiaries by the same independent auditors and entities belonging to the same network.

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

Pursuant to art. 27 of the Bylaws, the Board of Statutory Auditors performs the functions assigned to it by law and other applicable regulatory provisions. In the event that the shares of the Company are admitted to listing on an Italian regulated market, the Board of Statutory Auditors also exercises all other duties and powers envisaged by special laws; especially as far as the information due to the Board, the directors are required to report to it in writing on a quarterly basis pursuant to art. 150 of the TUF. The Board of Statutory Auditor meetings may also be held by conference call and/or video conference, on condition that:

- a) the Chairman and the person taking the minutes must be present at the same venue of the meeting;
- b) all participants can be identified and follow the discussion, receive, transmit and read documents, and orally participate in real time on all matters.

If these requirements are satisfied, the Board of Statutory Auditors meeting is considered to have been held where the Chairman and keeper of the minutes are located.

A specially qualified independent auditor (see paragraph 13.1 above) audits the Company accounts in accordance with applicable legal regulations.

## **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 the majority of shareholders and institutional investors. This dialogue must be conducted in compliance with the procedure governing the disclosure of corporate documents and information to outsiders.

At its meeting held on 8 August 2008, the Company Board of Directors appointed Dr. Andrea Barbaro as Investor Relator, in order to ensure fair, continuous and complete communication in accordance with art. 2.2.3., section 3, letter j) of the Stock Market Regulation, applicable to the issuers holding STAR qualification. 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.

Disclosures are guaranteed by promptly publishing corporate documents on the Company website. In particular, on said website which can be freely accessed, Investors can examine, both in Italian and English, all the press releases issued to the market, the periodical accounting reports of the Issuer approved by the competent corporate bodies (annual report, half-yearly report, interim management reports), the Report on Operations and shareholding structure, as well as the documentation circulated at the meetings with professional investors, analysts and the financial community.

Other documents which are available on the Issuer's website are: the Bylaws, the documentation prepared for the Shareholders' Meetings, the communications on Internal Dealing, this Report on the Corporate Governance System and any other document which can be published on the Issuer's website in accordance with applicable legal regulations.

## 16. SHAREHOLDERS' MEETINGS AND RIGHTS

Pursuant to art. 8 of the current Company Bylaws, the shareholders who have been issued the notice by the intermediary that keeps the relevant accounts pursuant to art. 2370, paragraph 2 of the Italian Civil Code at least two working days before the Shareholders' Meeting, are entitled to attend the Shareholders' Meetings.

The Shareholders' Meeting is ordinary or extraordinary pursuant to the law and meets at the registered office of the company or other venue indicated in the notice convening the meeting, provided that the location is in Italy.

Pursuant to art. 6 of the Bylaws, the Ordinary and Extraordinary Shareholders' Meeting may be held even if participants are in different places, whether close or distant, connected by telecommunication facilities, provided that the participants are able to follow the discussion of the matters presented and participate in it real time and are able to receive, transmit or review documents and that the examinations and deliberations occur simultaneously, and also that the principles of bona fide and shareholders parity of treatment are complied with.

Pursuant to art. 7 of the Bylaws, the Shareholders' Meeting, whether ordinary or extraordinary, is convened, within the terms set by current legal regulations, by publishing a notice on the Official Gazette of the Republic of Italy or on the newspaper 'Finanza e Mercati' containing the indication of the day, time and venue of the first and possibly the second and third call, as well as the items on the agenda, without prejudice to any other obligation to comply with current legal regulations.

The agenda of the Meeting is set by those who exercise the power to convene meetings under the law and the Bylaws or in case the meeting is convened upon request of the Shareholders, on the basis of the items of the agenda.

Failing a notice to convene a meeting, the Shareholders' Meeting is validly constituted and can validly resolve when the entire share capital of the company is represented and the majority of the Directors and permanent statutory auditors in office attend.

Pursuant to art. 10 of the Bylaws, the Shareholders entitled to participate to the Shareholders' Meeting, either personally or as proxy, can grant power of attorney in writing to attend the meeting and vote on their behalf at the meeting according to legal regulations.

Pursuant to art. 11 of the Bylaws, to consider a Shareholders' Meeting as valid, whether it be ordinary or extraordinary, and the resolutions as effective, reference must be made to the legal regulations and the Bylaws. The conduct of the Meeting is governed by legal regulations and the Bylaws but also by the specific Shareholders' Meeting Regulation, if any, as approved by the Shareholders' Meeting.

In accordance with clause 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, and during those meetings, they are required to provide the Shareholders with the information regarding the Company in accordance with the rules governing price sensitive information.



As prescribed by clause 10.2 of the Bylaws, the Chairman of the Shareholders' Meeting is responsible for ascertaining the identity and entitlement of those attending the meeting, confirming that the Shareholders' Meeting was duly convened and the quorum of shareholders sufficient to pass valid resolutions. The Chairman is also required to moderate the proceedings, establish the voting procedures and verify the results of voting.

In the 2009 financial year, on the occasion of the Shareholders' Meetings, the Directors and Statutory Auditors provided the Shareholders with information on the Company that complied with the regulations governing price sensitive news to ensure that the shareholders took any decisions taken falling under their jurisdiction by complying with the law.

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As regards Shareholders' rights, please refer to legal regulations and the applicable pre-tempore rules, except for the following:

Pursuant to art. 3, paragraph 2 of the Bylaws, if a resolution is passed to extend the duration of the company, also the shareholders who did not vote in favour of such resolution will not have the right to withdraw.

According to art. 29 of the Bylaws, the net profit reported in the financial statements, less the share allocated to legal reserve until the latter reaches the limit set by the law, are to be appropriated as resolved by the Shareholders' Meeting. More specifically, the Shareholders' Meeting, upon proposal by the Board of Directors, can resolve to set up and increase other reserves.

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At the meeting of 15 March 2010, pursuant to Application criterion 11.C.6 of the Corporate Governance Code, the Board did not feel the need to propose amendments to the Bylaws to the Shareholders' Meetings as far as the percentages set for exercising the rights to protect minorities are concerned since, in accordance with art. 144-quater of the Consob Issuer Regulation, the presentation of the lists for the appointment of the members of the Board of Directors and of the Board of Statutory Auditors, articles 14 and 26 of the Issuer's Bylaws request a percentage threshold of 2.5% and 2%, respectively, of the voting share capital or a different percentage established or referred to by legal rules or regulations. In this regard we point out that, by resolution no. 17148 of 27 January 2010, Consob set the shareholding % requested for submitting the lists of candidates for the election of the Issuer's management and control bodies at 4.5% of the share capital for the financial year ended on 31 December 2009.

## **17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES**

The issuer does not adopt corporate governance practices in addition to those prescribed by legal rules or regulations and described in this Report.

## **18. CHANGES OCCURRED AFTER THE END OF THE REPORTING PERIOD**

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

**TABLE 1: INFORMATION ON SHAREHOLDING STRUCTURE**

<b>SHARE CAPITAL STRUCTURE</b>				
	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 obligations of the shareholders are those provided for in articles 2346 and ff. of the Civil Code
Shares with limited voting rights	0	0		
Shares with no voting rights	0	0		

<b>OTHER FINANCIAL INSTRUMENTS (which grant the right to subscribe newly issued shares)</b>				
	Listed (indicate the markets) / unlisted	No. of outstanding securities	Class of shares available for conversion/exercise of right	No. of shares available for conversion/exercise of right
Convertible shares				
Warrant				

<b>RELEVANT SHAREHOLDINGS</b>			
Reporting party	Direct Shareholder	% of Ordinary Stock	% of voting Stock
Vacchi Luca	Cofiva Holding S.p.A.	2.054 %	2.054 %
Siagri Roberto	Nextra Gen S.r.l.	2.355 %	2.355 %
Siagri Roberto	Siagri Roberto	4.446 %	4.446 %
Finmeccanica S.p.A.	Finmeccanica S.p.A.	11.084 %	11.084 %

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

BOARD OF DIRECTORS											Internal Control Committee		Remuneration Committee		Nomination Committee (if any)		Executive Committee (if any)		Other Committee (if any)	
Office	Members	In office since	In office until	(M/m) List *	Exec.	Non-exec.	Indep. as per Code	Indep. as per TUF	(%) **	Number of other offices held ***	****	**	*** *	**	*** *	**	*** *	**	*** *	**
Chairman and Chief Executive Officer	Roberto Siagri	05/05/2008	Approval of Financial Statements at 31/12/2010		X				100	9										
Deputy Chairman and Chief Executive Directors	Giampietro Tecchiolli	05/05/2008	Approval of Financial Statements at 31/12/2010		X				71	11										
Director Financial Reporting Manager	Sandro Barazza	27/04/2009	Approval of Financial Statements at 31/12/2010			X			100	11										
Director and Lead Independent Director	Alberto Felice De Toni	05/05/2008	Approval of Financial Statements at 31/12/2010			X	X	X	71	3	X	100	X	100						
Director	Cesare Pizzul	05/05/2008	Approval of Financial Statements at 31/12/2010			X	X	X	100	10	X	100	X	100						
Director	Chiara Mio	05/05/2008	Approval of Financial Statements at 31/12/2010			X	X	X	86	2	X	100	X	100						
Director	Filippo Bagnato	27/04/2009	Approval of Financial Statements at 31/12/2010			X			29	6										
Director	Maurizio Tucci	27/04/2009	Approval of Financial Statements at 31/12/2010			X			43	7										
Director	Giovanni Soccodato	27/04/2009	Approval of Financial Statements at 31/12/2010			X			14	8										
-----DIRECTORS CEASING TO HOLD OFFICE IN THE REFERENCE YEAR-----																				
	Surname and name																			

**NOTES**

\*This column indicates M/m depending on whether the member has been elected by the list voted by the majority (M) or by a minority (m). See section 4.2 of the Report.

\*\* This column indicates the attendance percentage of directors at meetings of the BoD and of the Committees respectively (no. of times attending/no. of meetings held during the subject's effective term of office).

\*\*\*This column indicates the number of offices as director or statutory auditor held by the subject at other companies. Please attach to the Report the list of such companies with regard to each director, specifying if the company in which the position is held is or is not part of the group which controls the Issuer or to which the Issuer belongs.

\*\*\*\*This column indicates (see the "x") if the Board member is also a member of the committee concerned.

**TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

<b>Board of Statutory Auditors</b>							
Office	Members	In office since	In office until	(M/m) List *	Independence as per Code	** (%)	Number of other offices held ***
Chairman	Siciliotti Claudio	05/05/2008	Approval of Financial Statements at 31/12/2010		X	57%	38
Permanent Auditor	Cignolini Michela	27/04/2009	Approval of Financial Statements at 31/12/2010		X	100%	21
Permanent Auditor	Pingaro Giuseppe	27/04/2009	Approval of Financial Statements at 31/12/2010		X	40%	0
Alternate auditor	Rubatto Marco	05/05/2008	Approval of Financial Statements at 31/12/2010		X	100%	3
Alternate auditor	Spinnato Lorenzo	27/04/2009	Approval of Financial Statements at 31/12/2010		X		18
<b>-----STATUTORY AUDITORS CEASING TO HOLD OFFICE IN THE REFERENCE YEAR-----</b>							
<b>Indicate the quorum requested for submitting the lists on the occasion of the last appointment: 2%</b>							
<b>Number of meetings held during the reference year: 7</b>							

**NOTES**

\*This column indicates M/m depending on whether the member has been elected by the list voted by the majority (M) or by a minority (m). See section 14 of the Report.

\*\* This column indicates the attendance percentage of statutory auditors to meetings of the Board of Statutory Auditors (no. of members attending/no. of meetings held during the term of office of the member concerned). (no. of times attending/no. of meetings held during the effective term of office of the subject concerned).

\*\*\*This column indicates the number of offices as director or statutory auditor held by the subject at other companies. Please attach to the Report the list of such companies with regard to each director, specifying if the company in which the position is held is or is not part of the group which controls the Issuer or to which the Issuer belongs.

## Consolidated financial statements at 31 December 2009 prepared according to international accounting standards

### Consolidated balance sheet

(€'000)	Notes	at December 31, 2009	at December 31, 2008
<b>ASSETS</b>			
Intangible assets	1	106,170	114,399
Property, Plant and equipment	2	6,858	7,885
Investments in affiliates companies	3	1,381	875
Investments in other companies	3	243	249
Deferred tax assets	31	1,172	1,533
Other non current financial assets	11	236	0
Medium/long term borrow ing allow ed to affiliates compani	12	511	0
Other non-current assets	4	791	749
<b>Total non-current assets</b>		<b>117,362</b>	<b>125,690</b>
Inventories	5	17,060	19,783
Contracts in progress	6	819	383
Trade receivables	7	23,035	22,063
Income tax receivables	8	5,627	4,124
Other current assets	9	1,882	2,792
Other current financial assets	11	0	719
Cash & cash equivalents	10	27,924	38,684
<b>Total current assets</b>		<b>76,347</b>	<b>88,548</b>
<b>Total assets</b>		<b>193,709</b>	<b>214,238</b>
<b>LIABILITIES AND EQUITY</b>			
Share capital		8,879	8,879
Reserves		108,017	125,180
<b>Group shareholders' equity</b>	13	<b>116,896</b>	<b>134,059</b>
<b>Equity attributable to minority interest</b>	13	<b>3,178</b>	<b>3,414</b>
<b>Total shareholders' equity</b>	13	<b>120,074</b>	<b>137,473</b>
Medium-/long-term borrow ing	15	2,417	24,654
Employee benefit obligations	16	1,609	1,742
Deferred tax liabilities	31	10,854	12,556
Other non-current liabilities	17	1,600	1,921
Business combination liabilities	19	989	8,049
<b>Total non-current liabilities</b>		<b>17,469</b>	<b>48,922</b>
Trade payables	18	14,171	15,207
Short-term borrow ing	15	24,488	5,782
Derivative instruments	34	458	346
Income tax liabilities	8	1,766	1,461
Other current liabilities	20	4,855	5,047
Business combination liabilities	19	10,428	0
<b>Total current liabilities</b>		<b>56,166</b>	<b>27,843</b>
<b>Total liabilities</b>		<b>73,635</b>	<b>76,765</b>
<b>Total liabilities and equity</b>		<b>193,709</b>	<b>214,238</b>

**Consolidated Income Statement**

INCOME STATEMENT (€'000)	Note	FY2009	FY2008
Revenues from sales of products and services	G	83,529	91,731
Other revenues	27	1,092	1,635
Cost of materials	22	(40,562)	(41,320)
Service costs	24	(15,529)	(17,268)
Lease & hire costs		(2,088)	(2,124)
Payroll costs	25	(25,694)	(27,433)
Other provisions and other costs	26	(2,063)	(1,289)
current assets	28	2,604	1,989
Depreciation & amortisation	29	(7,205)	(7,945)
Asset impairment	29	(716)	(11,500) (*)
<b>Operating profit</b>		<b>(6,632)</b>	<b>(13,524)</b>
Share of associates' profit of equity		(405)	(97)
Finance expense	30	(3,954)	(6,710)
Finance income	20	2,000	4,652
<b>Profit before taxes</b>		<b>(8,991)</b>	<b>(15,679)</b>
Income tax	31	(481)	3,201
<b>Net profit (loss) before minority interest</b>		<b>(9,472)</b>	<b>(12,478)</b>
<b>Minority interest</b>		<b>129</b>	<b>230</b>
<b>Group net profit (loss) for period</b>		<b>(9,601)</b>	<b>(12,708)</b>
<b>Base earnings (losses) per share</b>	14	<b>(0.274)</b>	<b>(0.359)</b>
<b>Diluted earnings (losses) per share</b>	14	<b>(0.274)</b>	<b>(0.359)</b>

(\*) Pursuant to Consob resolution 15519 of 27 July 2006, "asset impairment" at 31.12.2008 includes non-recurring trademark write-downs of €10,770 thousand.

**Aggregate Consolidated Income Statement**

STATEMENT OF COMPREHENSIVE INCOME (€'000)	Note	FY2009	FY2008
<b>Net profit (loss) before minority interest (A)</b>		<b>(9,472)</b>	<b>(12,478)</b>
Net profit (loss) from Cash Flow Hedge		(111)	(427)
Tax effect		0	0
		<u>(111)</u>	<u>(427)</u>
Foreign balance sheets conversion difference		<u>(4,518)</u>	<u>17,312</u>
Exchange differences on equity method		<u>16</u>	<u>0</u>
Exchange differences on equity investments in foreign companies		(652)	1,048
Tax effect		0	0
		<u>(652)</u>	<u>1,048</u>
<i>After tax comprehensive profit (loss) (B)</i>		<i>(5,265)</i>	<i>17,933</i>
<b>Comprehensive net result (A+B)</b>		<b>(14,737)</b>	<b>5,455</b>
<b>Comprehensive minority interest</b>		<b>(40)</b>	<b>1,002</b>
<b>Comprehensive Group net profit (loss) for period</b>		<b>(14,697)</b>	<b>4,453</b>

## Statement of changes in 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, 2007	8,879	39	136,400	(3,978)	(12,365)	81	(2,622)	(44)	(4,922)	121,468	2,549	(85)	2,464	123,932
2007 Result allocation	-	-	-	-	(4,922)	-	-	-	4,922	-	(85)	85	-	-
2008	-	-	-	-	-	-	-	-	(12,708)	(12,708)	-	230	230	(12,478)
<i>Comprehensive other profit (loss)</i>														
- Hedge transactions	-	-	-	-	-	(427)	-	-	-	(427)	-	-	-	(427)
- Foreign balance sheets conversion difference	-	-	-	16,540	-	-	-	-	-	16,540	772	-	772	17,312
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	1,048	-	-	1,048	-	-	-	1,048
Comprehensive result	-	-	-	16,540	-	(427)	1,048	-	(12,708)	4,453	772	230	1,002	5,455
Minority purchase	-	-	-	-	9,434	-	-	-	-	9,434	(52)	-	(52)	9,382
Other changes	-	-	-	-	-	-	-	(1,296)	-	(1,296)	-	-	-	(1,296)
Balance as at December 31, 2008	8,879	39	136,400	12,562	(7,853)	(346)	(1,574)	(1,340)	(12,708)	134,059	3,184	230	3,414	137,473
(€'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



## Cash Flow Statement

CASH FLOW STATEMENT (€'000)	FY 2009	FY 2008
<b>CASH FLOWS GENERATED BY OPERATIONS:</b>		
<b>Group net profit</b>	<b>(9,601)</b>	<b>(12,708)</b>
<b>Adjustments to reconcile reported net profit with cash &amp; cash equivalents generated (used) in operations:</b>		
Minority interests	129	230
Depreciation & amortization intangible assets, property, plant and equipment	7,921	19,445
Write-down of receivables	734	332
Interest income	(631)	(1,805)
Affiliated companies booked at equity	405	97
Cost for bringing up-to-date and exchange adjustment for put option	937	1,742
Provision for (use of) long-term employee severance indemnities	(133)	230
Provision for (use of) risk provision	(321)	576
(Provision for) / use of deferred tax asset / Provision for (use of) deferred tax liability	(1,341)	(2,230)
<b>Changes in current assets and liabilities</b>		
Trade receivables	(1,706)	(3,588)
Other current assets	(592)	(1,919)
Inventories and contracts in process	2,287	4,327
Trade payables	(1,036)	701
Other current liabilities	113	(1,185)
<b>Total adjustments and changes</b>	<b>6,766</b>	<b>16,953</b>
<b>Cash flow generated (used) in operations</b>	<b>(2,835)</b>	<b>4,245</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Sales of tangible and intangible assets	200	108
Assignment for deconsolidation	(171)	0
Interest income	631	1,805
Purchase of intangible fixed assets	(3,182)	(3,066)
Purchase of tangible fixed assets	(860)	(2,495)
Chengdu Vantron Tech. Inc. transfer	42	0
Decreases (Increases) other financial assets	(28)	(719)
Net investments in long-term investments and non-current assets	(281)	(301)
Business acquisition net of cash acquired:	0	(3,365)
Minority purchase	(2,466)	9,434
Business combination liabilities	2,466	(12,799)
<b>Cash flow generated (used) in investment activities</b>	<b>(3,649)</b>	<b>(8,033)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Other changes in shareholders' equity	16	(1,296)
Minority	(196)	(52)
Loans taken	450	158
Increases (decreases) short term loan	1,513	(1,110)
Repaid loans medium/long term	(5,494)	(12,571)
<b>Cash flow generated (absorbed) by financial assets</b>	<b>(3,711)</b>	<b>(14,871)</b>
Changes in the conversion difference	(565)	739
<b>Increases (decreases) in cash &amp; cash equivalents</b>	<b>(10,760)</b>	<b>(17,920)</b>
<b>Opening amount in cash &amp; cash equivalents</b>	<b>38,684</b>	<b>56,604</b>
<b>Cash &amp; cash equivalents at end of period</b>	<b>27,924</b>	<b>38,684</b>
<b>Interest paid</b>	<b>1,261</b>	<b>2,532</b>
<b>Income taxes paid</b>	<b>4,624</b>	<b>5,780</b>

## Notes to the financial statements

### A – Corporate information

The publication of the consolidated financial statements of Eurotech S.p.A. for the period ended 31 December 2008 was authorized with resolution of the Board of Directors of 15 March 2010. Eurotech SpA is a joint stock company incorporated and domiciled in Italy.

Eurotech is a group active in the research, development, and marketing of miniaturised computers (NanoPCs) and high-performance computers featuring high computing capacity (HPCs). For greater information, reference should be made to Note G – Segment Reporting.

### B - Reporting policies and IFRS compliance

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission according to the procedure under Article 6 of EC Regulation no. 1606/2002 of the European Parliament and European Council of 19 July 2002 no later than 31 December 2009, as well as with the measures enacted to implement Article 9 of Italian Legislative Decree no. 38/2005. IFRSs include all international standards that have been reviewed (IAS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) which were previously called 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 has found no significant uncertainties (as defined under section 25 of IAS 1) on the going concern, including in view of the actions taken to cope with the situation.

All accounting standards are consistent with those adopted for the period ended 31 December 2008, except for the following new or revised IFRS or IFRIC which were applied for the first time by the Group at 1 January 2009. Eurotech's adoption of the revised policies and interpretations has had no effect on the Group financial statements partly because the cases and instances they govern are not applicable to Group business:

- *IAS 1 revised – Presentation of financial statements* – this standard no longer allows presentation of income components, i.e. income and charges (defined as “changes generated by transactions with non-shareholders”) in the Statement of Changes in Equity, instead requiring that they be indicated separately to changes generated by transactions with shareholders. According to the revised version of IAS 1, all changes generated by transactions with non-shareholders must be set out either in a single statement showing the period's performance (statement of comprehensive profits or losses recognised) or in two separate statements (basic income statement and comprehensive income statement). Such changes with non-shareholders must also be shown separately in the Statement of Changes in Equity. The Group has applied the revised version of the standard retrospectively as of 1 January 2009, opting to show all changes generated by transactions with non-shareholders in two statements measuring the period's performance, respectively called “Basic consolidated income statement” and “Comprehensive consolidated income statement”. The Group has consequently changed the presentation of the Statement of Changes in Equity;
- *IFRS 2 revised – Share based payments: vesting conditions and cancellations* – the standard also sets forth that only service conditions and performance conditions can be considered the vesting conditions of the plans for the purpose of evaluating share-based compensation instruments. The amendment also clarifies that the same accounting treatment applies to cancelled plans regardless of whether it was cancelled by the Group or another party. The amendment was applied as from 31 December 2009 and did not cause any accounting effects;
- *IFRS 7 – Financial instruments: Additional Disclosures* – The new standard requires additional information on the fair value assessment and liquidity risks. Fair value assessments must provide additional information on the sources of the input, using a three-level fair value hierarchy system for each class of financial instrument. Furthermore, a reconciliation statement must also be provided between the opening balance and final balance of the fair value assessment for third-level assessments, as well as for the measurements of significant transfers between the hierarchical levels. The amendments clarify and enhance the existing requirements for the disclosure of liquidity risk in reference to derivatives and financial assets used for managing foreign liquidity. The disclosure on the fair value assessment is presented in Note and the amendments have not significantly influenced disclosure on the liquidity risk which is shown in Note 33.

- *IFRS 8 – Operating segments* – this standard requires disclosure concerning the Group's operating segments and replaces the need to determine its primary reporting segment (business) and secondary reporting segment (geographical). Adoption of this change has no impact on the Group's financial position or performance. While confirming the operating segments previously established under IAS 14 Segment Reporting, the Group has nevertheless decided to provide additional disclosure concerning each geographical business area of the nanoPC segment. The revised and corrected comparative information is shown in Note G;
- *IAS 19 improvement – Employee benefits* - the amendment was applied as from 31 December 2009 and it did not cause any accounting effects;
- *IAS 20 improvement – Accounting for government grants and disclosure of government assistance* –the standard establishes that benefits arising from government loans granted at below-market interest rates must be treated as government grants and therefore follow the rules of recognition established by IAS 20. The previous version of IAS 20 established that, in the case of low-rate loans received as government grants, the entity did not have to recognise any benefit. The amendment was applied as from 31 December 2009 and it did not cause any accounting effects;
- *IAS 23 improvement – Borrowing costs* - the new version of the standard requires capitalisation of borrowing costs directly attributable to the purchase, creation or production of an asset that takes a significant period of time to become ready for use or for sale. The amendment was applied as from 31 December 2009 and it did not cause any accounting effects;
- *IAS 28 improvement – Investments in associates* – the standard establishes that any impairment of investments accounted for using the equity method must not be allocated to the individual assets (and in particular to any goodwill) forming the investment's carrying value but rather to the investment's overall value. Given this, in the presence of conditions allowing subsequent reinstatement of value, such reinstatement must be fully recognised. Adoption of this new standard did not generate any accounting effect because, in FY 2009, the Group did not recognise any reinstatement of goodwill included in investments' carrying value;

The following amendments, improvements and interpretations, effective as from 1 January 2009, regulate cases and events not present in our Group at the date of these financial statements, but which could have accounting effects on future transactions or agreements:

- *IAS 29 improvement – Financial Reporting in Hyperinflationary Economies;*
- *IAS 32 amendment – Financial instruments;*
- *IAS 36 improvement – Impairment of assets;*
- *IAS 38 improvement – Intangible assets;*
- *IAS 39 improvement – Financial instruments; Recognition and measurement;*
- *IAS 40 improvement – investment property;*
- *IFRIC 13 – Customer loyalty programmes*
- *IFRIC 15 – Contracts for the construction of real estate*
- *IFRIC 16 – Hedges of a net investment in a foreign operation.*

Note that the IASB has also issued the following principles or interpretations, already adopted by European Union, which the Group has not adopted but which will become mandatory for accounting periods after 1 January 2010:

- *IFRS 3 revised – Business Combinations* – the principal changes concern elimination of the obligation to measure the fair value of the individual assets and liabilities of the subsidiary in each subsequent acquisition, in the event of a gradual acquisition of subsidiaries. In these cases, goodwill will be determined as the difference between the value of the equity investments immediately before the acquisition, the consideration paid for the transaction and the value of the net acquired assets. Furthermore, if the company does not acquire 100% of the subsidiaries, the minority interest may be measured at its fair value or by using the method previously envisaged by IFRS 3. The revised version of this standard also envisages that all the costs connected with the business combination be recognised in income and recognition at the acquisition date of the liabilities for conditional payments;
- *IAS 27 amendment – Consolidated and Separate Financial Statements* – The IASB has decided that the changes in the equity stake that do not constitute a loss of control must be treated as an equity transaction and no contra entry must be recognised for them in equity. Furthermore, it sets out that when a parent company transfers control of one of its equity investments but continues to hold an interest in the company, it must recognise the remaining equity interest at its fair value and recognise in income any profits or losses resulting from the loss of control. Finally, the amendment requires that all losses attributable to minority shareholders be allocated to minority interest, even when they exceed the minority interest in the subsidiary's capital.

The consolidated financial statements were drafted in euro, rounding amounts to the nearest thousand. The financial statements consist of the Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, Cash Flow Statement, and 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, when 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 as at the 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 values*

In applying Group accounting policies, directors have made decisions based on the following discretionary evaluations (not including those that lead to 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 use value 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 discount rate

As at 31 December 2009, the book value of goodwill was €71.515 million (in 2008 € 74.9 million). More details are shown in note 1.

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

In preparing calculations to determine the value in use, directors need to estimate expected cash flows from operations or from the cash-generating unit and to choose a discount rate that can adequately calculate the present value of such cash flows. Further detail and a sensitivity analysis of key assumptions are illustrated 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. A significant discretionary evaluation is required of the Board of Directors to determine the amount of deferred taxes that can be posted. Directors have to estimate the most likely timing and amount of future taxable profits and a planned strategy of future taxes payable.

As at the balance sheet date of 31 December 2009, unrecognised losses carried by the parent company were estimated to be € 19.535 million (2008: € 11.407 million). In the Group, the carried amount of unrecognised tax losses are € 23.721 million (2008: € 13.044 million).

Development costs

Development costs are capitalised as per the accounting standard described in note E. Initial cost capitalisation is based on the Directors' assessment about the technical and economical feasibility of the project, normally when the project itself has come to a certain stage in its implementation. 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. As at 31 December 2009, the best estimate of carried amount of capitalised development costs was €5,050 million of which €1,406 million under construction (2008: €4.869 million of which €953 million under construction).

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 statutory financial statements of the parent company, Eurotech S.p.A., 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 consolidation area as at 31 December 2009 and consolidated on a line-by-line basis 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 (Finland)	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 UK Ltd.	Cambridge (UK)	GBP 1	100,00%
E-Tech USA Inc.	Salt Lake City (USA)	USD 8,000,000	100,00%
Sae S.r.l.	Via Fratelli Solari, 5/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	65,00% (1)
Spirit21 Inc.	Okayama (Japan)	JPY 10,000,000	65,00% (1)
Chengdu Vantron Technology Inc.	Chengdu (China)	USD 108,000	49,50% (2)

(1) As a result of the evaluation of a put and call option on the remaining 25% of share capital, the consolidation percentage is 90%.

(2) Affiliated company consolidated at equity at 31/12/2009 due to the ownership of 65% of the capital through Eurotech Inc. at that date

As from that date, 31/12/2009, the percentage of ownership pursuant to disposal of the share decreased to 49.5%.

In addition, the following affiliated companies are consolidated at equity:

<i>Affiliated companies consolidated at equity</i>			
Chengdu Vantron Technology Inc.	Chengdu (China)		49,50%
Delos S.r.l.	Via Roberto Cozzi, 53 - Milan		40,00%

Union Arrow Technologies Inc.	Okayama (Japan)	36,00%
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%

Main changes taking place in the subsidiary and affiliated companies with respect to 31 December 2007 were as follows:

- 28/07/2009 the Japanese subsidiary Advanet Inc. invested in 40% (the remaining 60% is owned by Mr. Furnio Komatsu, already a minority shareholder in Advanet Inc.) in setting up a company in Japan denominated Union Arrow Technologies Inc. (UAT Inc.) which will provide contactless testing machines engineering and sales services for the sector of Flat Panel Displays, OLED Display and solar cells. Immediately after its foundation, UAT acquired a business unit from the listed Japanese company Tokyo Cathode Laboratory Co. Ltd. and a number of licenses and patents from the Japanese OHT Inc., to use a fabless business model to become a major player in the niche sector of contactless test machinery as early as 2010.
- 21/10/2009 founding of ETH Devices S.r.o. with registered office in Bratislava (Slovakia) which will develop a new family of low-consumption products and sell other Group products in Eastern Europe.
- 31/12/2009 sale of 15.5% of the share in Chengdu Vantron Technology Inc. based on an agreement that also includes selling further stakes each year until reaching a 15% ownership by 31 December 2015.

## ***E – Accounting standards and policies***

### ***Consolidation policies***

The consolidated financial statements of Eurotech S.p.A. (parent company) and its subsidiaries are drawn up at 31 December of every year. The financial statements of the subsidiaries apply the same accounting standards as the parent company; consolidation adjustments are made to standardise items that are influenced by application of different accounting standards. All intragroup transactions and balances, including unrealised gains arising from transactions between Group companies, are eliminated. Unrealised profits and the losses with affiliated companies are eliminated for the part pertaining to the Group. Unrealised losses are eliminated except in the case where they represent permanent impairment.

Subsidiaries are consolidated on a line-by-line basis beginning from the date of acquisition, or the date in which the Group acquires control, and exit the scope of consolidation on the date when control is transferred out of the Group.

Minority interests represent that portion of profits or losses and net assets not held by the Group and are shown in a separate item of the income statement and in the balance sheet amount shareholders' equity components, separate from Group shareholders' equity. Acquisitions of minority interests are recognised using the entity concept method whereby the difference between the price paid and the book value of net assets acquired pertaining to minority interests is recorded directly in equity.

### ***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 accounting currency adopted by the Group. Each Group company defines its own functional currency, used to value the items in the individual financial statements.

Transactions denominated in foreign currencies are recognised at the exchange rate (with reference to functional currency) in force at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate in force at year-end. All foreign exchange differences are recognised in the income statement, except for differences arising from loans in foreign currency, which are part of a net investment in a foreign company, which are directly recognised as equity until the net investment is not disposed of, which is the date of recognition in the income statement. Taxes and fiscal receivables attributed to exchange differences on these loans are also handled directly in shareholders' equity. Non-monetary items valued at the historic cost in foreign currency are

converted using the exchange rates in force at the original date of recognition of the transaction. Non-monetary items booked at fair value in foreign currency are converted using the exchange rate at the date of calculating this value.

Any goodwill arising from acquisition of a foreign company and any adjustment in fair value that affects the carrying amount of assets and liabilities arising from the acquisition of that foreign company, are accounted for as an asset or liability related to acquisition of that foreign company. These values are expressed in the functional currency of the foreign company and are converted at the closing exchange rate.

Before 1 January 2005, the Group had chosen to treat goodwill and any adjustment in fair value that affects the carrying amount of assets and liabilities as at the acquisition date, as their own assets and liabilities. Therefore, these assets and liabilities are already expressed in their presentation currency or they are non-monetary items and therefore no conversion difference arises.

The functional currency of the American subsidiaries - Parvus Corp., Eurotech Inc. and E-Tech USA Inc. is the US dollar, while the currency used by the English subsidiary, Eurotech Ltd., is the British pound, the currency used by the Japanese subsidiaries Advanet Inc. and Spirit21 Inc. is the Japanese yen and the currency used by the Chinese subsidiary Chengdu Vantron Technology Limited is Renmimbi.

Assets and liabilities of consolidated companies whose accounting currency is not the euro are converted into the accounting currency of the Eurotech Group (the Euro) at year-end, using the average exchange rate in force during the year. Foreign exchange differences from conversion of economic quantities at a different rate from the closing rate and those generated by conversion of opening shareholders' equity at a different exchange rate from that of the closing period of the accounting period are reported directly in shareholders' equity and are shown separately in a special reserve. At the time of sale of a foreign company, the exchange differences regarding that particular foreign company reported in shareholders' equity are recorded in the income statement.

The exchange rates applied are cited in the following table and correspond to those provided by the Italian Exchange Office:

Currency	Average at 2009	As of December 31, 2009	Average at 2008	As of December 31, 2008
British pound sterling (GBP)	0.88810	0.89094	0.79628	0.95250
Japanese Yen	130.33660	133.16000	152.45406	126.14000
Renmimbi	9.52771	9.83500	10.22361	9.49560
USA Dollar	1.39478	1.44060	1.47076	1.39170

### *Accounting policies*

The accounting standards and policies applied for preparation of consolidated financial statements as at 31 December 2009 are shown below.

### **Intangible assets**

Intangible assets acquired separately are originally capitalised at cost, while assets acquired through business combination transactions are booked at fair value. After original 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 each time 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. Any changes in the 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 on the income statement in the cost category matching the function of the intangible asset.

Intangible assets with indefinite useful life are submitted to annual review of the value impairment 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 submitted to annual review of the value impairment 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 revenue of the sale and the accounting value of the intangible asset and are recognised in the income statement when the asset is eliminated.

### *Business combinations and goodwill*

Business combinations are accounted for using the acquisition method. This requires recording identifiable assets (including intangible assets previously not recognised) and liabilities (including potential liabilities but excluding future restructuring) of the acquired company at fair value.

Goodwill acquired from a business combination is originally recognised at cost and represents the difference in the cost of the business combination with respect to the Group share of the net fair value of assets, liabilities and identifiable contingent liabilities (of the acquired company). After original posting, goodwill is not subject to amortisation but is reduced by accumulated impairment, calculated using the methods described below. Goodwill relating to shareholdings in affiliates is included in the book value of these companies.

Following initial recognition, goodwill is revalued annually and reduced by any cumulative impairment losses.

In order to test for impairment, the goodwill acquired in a business combination is allocated to each cash generating unit within the Group's scope of consolidation as at the acquisition date, or to the group of cash generating units which should benefit from the business combination, regardless of whether other assets or liabilities of the acquired entity are allocated to such units or groups.

Each unit or group of units to which goodwill is allocated:

- represents the lowest level to which goodwill is monitored for the purposes of Group internal management; and
- is no longer the widest of the segments identifiable on the basis of the primary or secondary outline of group segment reporting, determined based on the matters indicated under IFRS 8 Segment reporting.

Impairment is identified through assessments that identify the ability of each unit to generate cash, with a view to recovering the part of goodwill allocated to it, using the methods indicated in the section related to property, plant and equipment. If the value recovered from the cash generating unit is less than the carrying value assigned to it, there is impairment. This impairment is not reinstated even if its causes have disappeared.

At the time of transfer of a company or business unit acquired previously and whose acquisition resulted in goodwill, the corresponding residual value of goodwill is considered in determining the capital gain or loss from the transfer reported in the income statement.

In first-time adoption of IFRS, the Group decided to not apply IFRS 3 - Business Combinations retroactively to the 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 verification of and adjustment for impairment.

### *Research and development costs*

Research costs are stated 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 that (a) it is technically practicable to complete the fixed asset so as to make it available for use or for sale; (b) its intention 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 of 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 were 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 between 8 and 10 years and subject to impairment testing whenever there is an indication that the value may be impaired. Their useful life is reviewed on an annual basis.

I marchi a vita utile indefinita non sono ammortizzati, ma sottoposti almeno annualmente alla verifica della perdita di valore (impairment test).

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 with 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 having a definite 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 the initial recognition, they are recognised net of related cumulative amortisation and of any impairment determined in the same way as for tangible assets.

Such other intangible assets with a definite life are amortised on a straight-line basis throughout their estimated useful life; useful life is re-examined annually and any changes, where necessary, are applied on a case-by-case basis.

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

### **Property, plant & equipment**

The value of property, plant and equipment is stated at the original cost, including any direct accessory charges for making the asset suited 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 based on the fair value as 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 utilized are based on the useful life of each single 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 book value of tangible assets is subject to verification, to check for impairment, if events or situational changes indicate that the book value cannot be recovered. If there is an indication of this nature and if the book 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 with amortisation, depreciation and write downs. The original 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 asset, in accordance with 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 accounting value of the shareholding and is not subject to amortisation nor to any impairment testing. After applying the equity method, the Group determines whether it's necessary to recognise added impairment in the net equity investment of the Group in the affiliate.

If the Group share of losses exceeds the book 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.

If an affiliated company enters adjustments directly to shareholders' 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.

Affiliated companies end their financial year on the same date as the Group; the accounting policies used comply with those used by the Group, adjusted at year end to make the comparable to those of Group for transactions and events of the same nature and in similar circumstances.

### Equity investment in others

If the fair value of financial assets made up of equity investments in other companies cannot be measured at the balance-sheet date because the shares are not listed, they are valued at the purchase or subscription cost, after deducting capital refunds, which are adjusted for impairment, using the methods described for property, plant and equipment. If the reasons for a write-down cease to exist, equity investments valued at cost are written back to the original 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 original amount given in exchange, increased by applicable transaction costs. The original book value is subsequently adjusted to consider capital refunds, any write-downs or amortisation of the difference between the repayment value and the original subscription value. Amortisation is charged based on the actual internal interest rate represented by the rate that makes them equal, at the time of their original recognition, the current value of expected cash flows and the original subscription 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 realizable value represented by the amount that the company expects to obtain from their sale in normal operations.

The cost of raw materials and finished products is found by applying the average weighted purchase cost for each transaction, including all accessory purchase charges.

The cost of production of finished and semiprocessed products is comprised of the direct costs for raw materials and labour plus a portion of general production expenses determined based on 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 realization. The write down is reversed in subsequent periods if the reason for keeping 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 its revenues and profits to the relevant individual accounting periods, in proportion to completion status. The progress of the contract is determined as a proportion between the contract costs incurred for work performed to date and 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 with liabilities or assets in the balance sheet.

Contract revenues, in addition to contract considerations, include changes, price adjustments, and recognition of the incentives in the measure in 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 the 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 in 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 provision. Amounts considered uncollectible are estimated based on the current value of expected future cash flows. Impaired receivables are written off and reversed when they become uncollectible.

### **Impairment loss of financial assets**

At every balance sheet date the Group tests for impairment of any financial asset or group of financial assets

#### *Assets determined using the amortised cost method*

If there is indication that a loan or receivable recognised at the amortised cost may be impaired, the impairment loss amount is found as the difference between the asset's carrying value and the present value of expected future cash flows (excluding future loan losses not incurred as yet) discounted at the original interest rate of the financial asset (that is, the interest rate calculated at initial recognition). The carrying value of the asset is written down using a specific provision 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 as at the date of reversal.

As to trade receivables, any accrual against an impairment loss is made when there is objective evidence (for instance, 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 shareholders' equity based on the related cost. The purchase, sale, issue or cancellation of the company's own equity instruments does not lead to 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 money at call or which can be quickly liquidated, will give good results and do not have collection costs. For the purposes of the consolidated cash flow, cash was represented gross of bank overdrafts at year-end.

### **Financial liabilities**

#### *Trade payables and other liabilities*

Trade payables, whose expiration date falls in 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 provision.

Other liabilities included both in current and non-current assets, are initially recognised at cost, which corresponds to the fair value of the liability, net of the transaction costs which are directly attributed to the issue of the liability itself. Following initial recognition, financial liabilities are valued using the amortised cost method, using the method of the actual original interest rate method.

#### *Loans*

All loans are recognised originally at the fair value of the amount received net of accessory charges to acquiring the loan. After original recognition, loans are valued using the amortised cost method using the actual interest rate method.

Every gain or loss is booked to the income statement when the liability is extinguished, as well as through the amortisation process.

If a long-term loan contract provision is violated at the balance sheet date or prior to such date which results in the liability becoming a payable due upon request, the liability is classified as current, even if the lender has agreed to not demand payment as a result of the violation after the balance sheet date and before approval to publish the financial statements. The liability is classified as current at the balance sheet date because the company did not have an unconditioned right to defer its settlement for at least twelve months after that 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 as at the date they are entered into; their fair value is re-evaluated periodically. They are recognised as an asset when their fair value is positive and as a liability when it is negative. Consistently with provisions set forth in 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 relation 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 hedge, as in the case of hedging the fair value of fixed-rate assets/liabilities), they are recognised at fair value through the income statement; consistently, hedged financial instruments are adjusted for the changes in fair value due to hedged risks.

When derivatives are cash-flow hedges, e.g. hedging the change in cash flows of assets and liabilities at variable rate due to interest-rate fluctuations, changes in the fair value are originally 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 flow 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.

In the cases when the Group has transferred the rights to receive cash flow 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 original book 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 ending the employment relationship through defined benefits plans (employee severance indemnity accrued as at 31 December 2009 or pension plans) or other long-term benefits (withdrawal indemnity) are recognised in the period when such 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 has operations.

Liabilities related to the defined benefits programme, net of any activities to service the plan, are determined based on the actuarial hypotheses and are recognised on an accrual basis, consistent with the employment services necessary to obtain the benefits; evaluation of the liability is done by actuarial employees. 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 (so called "corridor method"). At first-time adoption of IFRSs, the Group decided to recognise all existing cumulative actuarial gains or losses, despite having used 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.

Following changes to indemnity leave under Law 27, no. 296 (2007 Finance Law) and successive decrees and regulations, the indemnity leave accrued as from 1 January 2007 or the date of the option to be exercised by employees is included in the defined contribution plans, both in the case of pension plans and in case of contribution to the INPS Treasury Fund. The accounting treatment of indemnity leaves is now made similar to the one that already exists 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) that arises 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, for example, 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 year-end 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 done, 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 discount rate before taxes 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 the fair value when it is reasonably certain that they will be received and the conditions provided for obtaining them are met.

If grants are related to cost components, they are recognised as income but they are consistently spread out over the periods so as to refer them to the costs they are intended to off set. 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 recognised wholly to the income statement at the time when the conditions for posting are met.

## Leasing

A contractual agreement is defined as a lease (or which includes a leasing transaction) according to the substance of the agreement and requires the opinion 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 done after the start of the contract only if one of the following conditions appear:

- a) there is a change in the contract conditions, other than renewal or extension of the contract;
- 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 according to which the adaptation depends on a specific activity or
- d) there is a substantial change in the asset.

Where a re-examination is done, the lease being accounted for will begin or will cease on the date when the circumstances that have given rise to the revision for scenarios a), c) or d) change and at the date of renewal or extension due to scenario b).

Finance lease contracts, which substantially transfer all the risks and benefits associated with ownership of the leased assets, are capitalised as from the start date of the lease contract at the asset fair value or, if lower, at the present value of lease payments. Lease payments are apportioned between principal and interest so as to obtain application of a constant periodic rate of interest on the remaining balance of the liability (principal). Finance expense is charged to the income statement. Leased assets capitalised are depreciated on the shorter of the estimated useful life of the asset and the duration of the lease contract, if it is not reasonably certain that the Group will obtain ownership of the asset at the end of the contract.

Lease contracts in which the lessor essentially retains all the risks and benefits typical of ownership are classified as operating leases. Operating leases are charged to the income statement on a straight-line basis according to the duration of the contract.

## 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 based on 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 with reference 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 which are considered recoverable.

## Interest

Revenues and expenses are recognised based on interests accrued on the net value of related assets and liabilities using the effective interest rate (which is the rate that exactly 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).

## Dividend income

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 tax authorities complying with tax legislation in force. Tax rates and fiscal provisions used to calculate the amount are as issued or essentially emanated at 31 December 2009.

Current taxes relating to elements recognised directly on the balance sheet are recognised directly in the balance sheet and not in the income statement.

Deferred tax liabilities are calculated using the "liability method" on temporary differences as at the 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 original 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 interim 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 interim differences and fiscal losses carried forward, except for if:

- the deferred tax asset related to interim deductible differences arises from the original 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 of the year calculated for the purposes of the financial statements nor on income or losses calculated for fiscal purposes;
- with reference to taxable interim 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 re-examined 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 realized or these liabilities are extinguished, considering rates in force and those issued or allocated at the year-end.

Income taxes related to items posted to equity are directly recognised as equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are off set if there is a legal right that allows them to compensate current tax assets and liabilities and deferred income referring to the same taxable object and the same tax authorities.

## ***F – Business combinations and acquisition of minority interests***

### *Definitive purchase price allocation - Advanet Group acquisition*

On 31 October 2007 the Eurotech Group acquired 65% of the voting shares of Advanet Inc. (an unlisted company with registered offices in Okayama – Japan), a leading company in the Japanese embedded PC market, which in turn held the entire share capital of Advanet R&D Inc. (liquidated in 2008) and Vantec Inc. (incorporated into Spirit21 Inc. in 2008). The Eurotech Group entered into a shareholders' agreement with its selling shareholders in order to regulate relationships and the governance of Advanet Group, and agreed a put and call mechanism for 25% of the share capital of Advanet Inc. In particular, this agreement states that in the two months after approval of the Advanet Group financial statements for the year that will end on 31 December 2009:

- Eurotech shall have a right to purchase ("call option") 25% of Advanet's share capital from Advanet's minority shareholders, who have an obligation to sell, for a total consideration that will be computed by applying a multiple of 8 times Advanet Group's EBITDA as at 31 December 2009, net of the net financial position;
- Minority shareholders will have a right to sell ("put option") to the Eurotech Group, which will have an obligation to purchase, 25% of Advanet's share capital, for a total consideration that will be computed by applying a multiple of 8 times the Group's EBITDA as at 31 December 2009, net of the net financial position.

On the grounds of said agreement, if both the call or put option should be exercised, Eurotech will end up holding 90% of the share capital of Advanet Inc.

As a result of such combination of put and call options, the consolidation of 90% of Advanet Group was deemed necessary, recognising in the minority share of shareholders' equity a limited portion of 10% of equity and financial results. At the same time, the financial liability related to the acquisition of 25% of minority interests was posted at fair value.

At 31 December 2007, the value of the liability reported at the time of the acquisition for a total of €14.589 million (based on the value obtained by discounting the option's notional amount determined on the basis of the best estimate of the business and financial results available at that time) at the issuer's average interest rate paid for a liability with a similar maturity,) amounted to €14.850 million, after recognising the discounted rate and the exchange difference at the date of the original reporting.

At 31 December 2008, the value of the liability booked against the put option on the 25% share was reviewed based on new and up-to-date estimates of the balance-sheet and income-statement figures, which will be used as reference to determine the strike price of the option, taken from the new revised plans at 31 December 2009 relating to the Japanese subsidiaries. These revised plans approved by the directors reflect the effects of the negative economic and financial situation which has involved the Japanese market in the latter months of 2008 and which will generate effects in the year 2009. The value of the liability originally recognised for the put option was consequently reduced by €9.567 million. The amount recognised on the financial statements at 31 December 2008 was €7.025 million instead, which is €7.825 million less than the original, after accounting for interest of €247 thousand and an exchange loss of €1.495 million.

At 31 December 2009, the value of the liability was adjusted again based on the final values that the Advanet Group approved on 13 March 2009. Due to the cost cutting policies implemented in 2009, the data approved are better than expected and as a result, the value of the liability booked at 31 December 2008 was increased by € 2,466 million. The amount booked at 31 December 2009 was thus € 10,428 million after accounting for interest of € 676 thousand and an exchange loss of € 261 thousand.

The difference between the recalculated financial liability and the minority share of shareholders' equity corresponding to the exercise of the option, expressed at the fair value at the time of acquisition, is negative for €1,385 thousand.

Recalculation of the financial liability relating to the put option on the 25% minority share of the Advanet Inc. capital, combined with the final purchase price allocation, led to an overall increase of €2,466 thousand in shareholders' equity in the financial year 2009. Last year, the positive difference between the originally estimated price and the book value of the quota of the net assets acquired by Advanet Inc. was reported directly as a decrease in shareholders' equity using the "entity concept method" for €1,081, consequently also the revised estimate was charged directly to shareholders' equity. The amount of €2,466 fully compensates for the €1,081 thousand recognised last year and €1,081 thousand reflects the € 1,385 thousand difference between the recalculated price and the book value of the share of the net assets acquired by Advanet Inc.

Note that the shareholder of the remaining 10% of Advanet shares shall have the right to sell to Eurotech the remaining 10% of Advanet shares, at the earlier of 5 years from the Closing Date or the date of termination of the employment relationship with Advanet Group, for whatever reason that may occur, at the market price of the shareholding to be determined based on an assessment made by both parties or by an independent expert.

## G - Segment information

The Group's primary segmentation for reporting purposes is by business segment while secondary segmentation is by geographical segment. The business segments are the "nanoPC" and "HPC" (High Performance Computer) segments. In view of the cyclicity typical of our clients operating in the HPC segment and its low relevance, we have preferred to concentrate on the NanoPC segment, divided by geographical segment in relation to the Group companies and based on which top management monitors performance. There were no significant infragroup transactions between business segments.

In addition the HPC sector, the geographical segments of the NanoPC segment are identified by the location of the assets and Group operations. These segments are : Europe, North America and Asia.

Management monitors the results separately in terms of EBIT of the individual business units in order to make decisions regarding allocation of resources and performance assessment.

### Business segments

The following schedule presents data on revenues, results and information on assets and liabilities and investments of the Group for the periods ended 31 December 2008 and 31 December 2009.

(€000)	NanoPC			High Performance Computer			Total		
	FY 2009	FY 2008	%oY Chg	FY 2009	FY 2008	%oY Chg	FY 2009	FY 2008	%oY Chg
<b>Sales and service revenue by segment</b>									
Sales and service revenue by segment	82,682	91,413	-9.6%	847	318	166.4%	83,529	91,731	-8.9%
Ebitda by segment	1,886	5,901	-68.0%	-597	20	n.s.	1,289	5,921	-78.2%
Ebit by segment	-5,926	-13,535	-56.2%	-706	11	n.s.	-6,632	-13,524	-51.0%
Total EBIT							-6,632	-13,524	-51.0%
Net finance income (expense)							-1,954	-2,058	-5.1%
Shares of associates' profit (loss)	-405	-97					-405	-97	317.5%
Profit before tax of continuing operations							-8,991	-15,679	-42.7%
Income tax							-481	3,201	-115.0%
Net profit (loss)							-9,472	-12,478	-24.1%

Revenues of the NanoPCs business segment came to €91,413 thousand in 2008 and €82,682 thousand in 2009, reporting a decrease of 9.6%. This decrease was entirely due to the decrease in revenue in Japan.

Revenues of the HPC business segment came to €318 thousand in 2008 and €847 thousand in 2009 and reported a rise due wholly to new business the parent company is making with developments and new products.

The NanoPC segment can be analysed as follows:

(€ 000)	Nord America			Europe			Asia			Correction, reversal and elimination			Total		
	FY2009	FY2008	%YoY Change	FY2009	FY2008	%YoY Change	FY2009	FY2008	%YoY Change	FY2009	FY2008	%YoY Change	FY2009	FY2008	%YoY Change
Third party Sales	40,563	39,563		18,477	22,217		23,642	29,633		0	0		82,682	91,413	
Infra-sector Sales	1,710	1,331		2,997	3,887		1,657	1,482		( 6,364)	( 6,700)		0	0	
Total Sales revenues	42,273	40,894	3.4%	21,474	26,104	-17.7%	25,299	31,115	-18.7%	( 6,364)	( 6,700)	-5.0%	82,682	91,413	-9.6%
Gross profit	19,361	20,324	5.0%	10,182	12,086	15.7%	14,092	18,140	28.7%	( 825)	( 267)	-67.7%	42,810	50,284	17.5%
Gross profit margin - %	45.8%	49.7%		41.7%	46.3%		55.7%	58.3%					51.8%	55.0%	
EBITDA													1,886	5,901	212.9%
EBITDA margin - %													2.3%	6.5%	
EBIT													( 5,926)	( 13,535)	128.4%
EBIT margin - %													-7.2%	-14.8%	

Revenues split by geographical segment reported in the schedule above show an increase in North America and a significant downturn in Asia, due to the contraction of the semiconductor market which is the Advanent Group's biggest market.

In Europe, the decline in sales was due to stagnation in specific sales markets in that area, for example, in the public transportation sector.

The following schedule presents data on revenues, results and information in relation to the geographical areas of the Group for the periods ended 31 December 2009 and 31 December 2008.

(€000)	NanoPC		High Performance Computer		Total	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
<b>Assets and liabilities</b>						
Segment assets	186,676	210,187	3,297	960	189,973	211,147
Investments in associate & other companies	1,624	1,124	0	0	1,624	1,124
Unallocated assets					2,112	1,967
<b>Total assets</b>	<b>188,300</b>	<b>211,311</b>	<b>3,297</b>	<b>960</b>	<b>193,709</b>	<b>214,238</b>
Segment liabilities	72,731	76,484	904	281	73,635	76,765
Unallocated liabilities					0	0
<b>Total liabilities</b>	<b>72,731</b>	<b>76,484</b>	<b>904</b>	<b>281</b>	<b>73,635</b>	<b>76,765</b>
<b>Other segment information</b>						
Investments in tangible assets	860	2,495	0	0	860	2,495
Investments in intangible assets	2,267	2,783	915	283	3,182	3,066
Depreciation & amortisation	7,823	19,436	98	9	7,921	19,445

Assets and investments in the NanoPC segment on a geographical basis are shown in the following schedule:

(€ 000)	NordAmerica		Europe		Asia		Correction, reversal and elimination		Total	
	at December 31, 2009	at December 31, 2008	at December 31, 2009	at December 31, 2008	at December 31, 2009	at December 31, 2008	at December 31, 2009	at December 31, 2008	at December 31, 2009	at December 31, 2008
Activitis by sector	50,709	52,464	47,792	56,271	96,162	107,006	( 7,987)	( 5,554)	186,676	210,187
Investiments	1,481	711	1,558	2,815	89	1,925	0	0	3,128	5,451

Segment assets at 31 December 2009 do not include investments in affiliated companies and other companies (€ 1.624 million) and current income taxes of the parent company (€ 2.112 million)



## H - Composition of the principal asset entries

### 1 – Intangible assets

The schedule below shows the evolution in the historic cost and accumulated amortization of assets in the period considered:

(€ '000)	DEVELOPMENT COSTS	GOODWILL	SOFTWARE TRADEMARKS PATENTS	ASSETS UNDER CONSTRUCTION N & ADVANCES	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Purchase or production cost	7,312	75,706	23,254	1,084	33,482	140,838
Previous years' impairment	( 311)	( 640)	( 10,442)	( 15)	-	( 11,408)
Previous years' amortisation	( 3,085)	( 166)	( 3,043)	-	( 8,737)	( 15,031)
<b>OPENING BALANCE</b>	<b>3,916</b>	<b>74,900</b>	<b>9,769</b>	<b>1,069</b>	<b>24,745</b>	<b>114,399</b>
Purchases	1,094	-	507	1,580	1	3,182
Disposals	-	( 141)	( 346)	( 55)	-	( 542)
Decreases due to change in consolidation area	-	( 504)	-	-	-	( 504)
Other changes	( 192)	( 2,739)	( 439)	( 32)	( 1,538)	( 4,940)
Impairment in period	( 287)	-	( 127)	( 302)	-	( 716)
Transfers	706	-	627	( 802)	( 68)	463
Amortisation in period	( 1,668)	-	( 727)	-	( 3,145)	( 5,540)
Reversal of cumulative amortisation	-	-	349	-	-	349
Other changes in cumulative impairment	123	-	( 25)	1	-	99
Other changes in cumulative amortisation	( 48)	-	( 480)	-	448	( 80)
<b>TOTAL CHANGES</b>	<b>( 272)</b>	<b>( 3,384)</b>	<b>( 661)</b>	<b>390</b>	<b>( 4,302)</b>	<b>( 8,229)</b>
Purchase or production costs	8,920	72,322	23,603	1,775	31,877	138,497
Impairment	( 475)	( 640)	( 10,594)	( 316)	-	( 12,025)
Cumulative amortisation	( 4,801)	( 166)	( 3,901)	-	( 11,434)	( 20,302)
<b>CLOSING BALANCE</b>	<b>3,644</b>	<b>71,516</b>	<b>9,108</b>	<b>1,459</b>	<b>20,443</b>	<b>106,170</b>

A small portion of goodwill (141) was sold rather than deconsolidated.

The difference in intangible assets was primarily caused by the effect of the investments made in addition to currency exchange differences and the 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.

Other changes refer to the exchange differences accrued on the beginning balances of the values expressed in foreign currency and especially in relation to the item "goodwill" and the item other fixed assets, which includes the value of customer relations defined at the time of allocation of the acquisition price .

The trademarks entry reflects the decision made by Eurotech management in late-2008 to no longer use the ADS and Arcom brands and write down their value.

The "Advanet" brand, which was booked at the time of acquisition of the Advanet Group, is still defined by directors 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 rather to annual impairment tests to verify losses of value.

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 decrease in goodwill is due to the different exchange rates applied in the two years, the deconsolidation of Chengdu Vantron Technology Inc. following the sale of 15.5% of its capital, which led the Eurotech Group to own a 49.5% participation. The effect of this transaction led to the reduction of a total of € 645 thousand of the related goodwill stated partly for the sale of the shareholding (15.5%) and for the difference for including it in the carrying value of the participation, classified only as an affiliate and therefore, valued at net equity. Afterwards, the carrying value of the participation in Chengdu Vantron Technology Inc., including the outstanding share of goodwill, was subject to impairment testing based on the sale price set in the agreement for further sales. This check resulted in the complete write off of the goodwill included in the carrying value of the participation entered as part of the valuation of equity interests using the equity method.

Increased development costs relating 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 every time value loss is detected. Development costs capitalised in previous years were written down this year by € 287 thousand because they referred to products that did not achieve the market success originally expected.

The item "software, trademarks and patents and licenses" primarily includes the costs incurred for implementing what is to become the Group's sole information system. Software is amortised on a straight-line basis in three years. The increase during the year is chiefly due to costs incurred for purchase of a number of licenses for production of wearable products. This item was also subject to write down for € 127 thousand after accounting for the patents that were not renewed.

The item "Assets under construction" for €1,459 thousand is made up of €1,406 thousand in development costs (payroll and materials) related to the new products in the area of NanoPC units and systems including wearable PCs "rugged", which are still being developed at year-end or for which production has not started yet. During the year, the Group wrote down € 302 thousand development costs capitalized in the previous year, related to projects still underway after the decision to suspend production of the products to which they refer.

#### ***Book value of goodwill and the brands allocated to each of the cash generating units:***

In order to make the annual check of value impairment, the individual goodwill and brands with an indefinite useful life recorded, acquired by 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 verify impairment.

Cash generating units	At December 31, 2009		At December 31, 2008	
	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Group	41,880	7,953	44,210	8,395
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	22,099	-	23,486	-
Eurotech Ltd. (ex Arcom Ltd.)	4,918	-	4,585	-
Eurotech France S.a.s.	1,051	-	1,051	-
Parvus Corp.	1,478	-	1,478	-
Other	90	-	90	-
<b>TOTAL</b>	<b>71,516</b>	<b>7,953</b>	<b>74,900</b>	<b>8,395</b>

The recoverable amounts of the individual CGU were found based on the value of use. To calculate the respective value, the cash flow projections from the 2010-2012 economic and financial plan were used, as approved by directors on 15 March 2010, 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.

The growth rate used was 1.5% (2008: 2%), less than the average long-term growth rate for the embedded PC segment forecast for the different reference markets. The discount rate (WACC – Weighted Average Cost of Capital) applied to cash flows varies in a range of 4.5% to 7.1%, calculated based on the country where the companies operate and the debt structure of each company and is calculated net of the tax effect.

The key parameters used for impairment tests are as follows:

	ITA	JAP	USA	FIN	FRA	UK
Risk free	4.27%	1.36%	3.33%	3.71%	3.64%	3.65%
Total Market Premium	5.40%	5.40%	4.50%	4.50%	4.50%	4.50%
- of which Country risk	0.90%	0.90%	-	-	-	-
Beta unlevered	0.781	0.781	0.781	0.781	0.781	0.781
WACC	da 4,50% a 6,00%	5.77%	da 4,70% a 5,20%	7.10%	7.00%	6.20%

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 considered CGU.

The WACC of the individual CGU was calculated by using the relevered beta coefficient, recalculated using the leverage effect comes from the basis of the debt/equity ratio of the individual CGU.

Considering the assumptions made based on the business and financial plans for 2010-2012 and use of the principal parameters determined for the individual reference 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 brands with an indefinite life. However, the recoverability of the values of non-current intangible assets resulting from acquisition of the Advanet Group, Eurotech Ltd. and Eurotech Inc. appears to be conditioned on the occurrence of possible changes in the key assumptions used to estimate them. In particular, a negative change of 1% in the long-term growth rate could cause the book values to exceed their recoverable value. Furthermore, management believes that the assumption of long-term growth for 2009 was lowered from 2% to 1.5% far below the assumption on the Japanese and United States market for embedded PCs.

Generally speaking, management also based their valuations on the assumption that, although certain external indicators (particularly the performance of Eurotech stock) could signal impairment to net assets, it is not necessary to carry out any write-downs. Management believe that the market performance reflects the international economic situation, and it has furthermore not differed greatly from the performance of the index in Eurotech's sector during 2009. Management regard conditions not yet expressed by the Eurotech Group and the outlook for the next few years based on existing orders, relationships with stakeholders and products currently in its portfolio, as well as those developed in recent years, as important factors in justifying retention of the values entered.

## 2 – Property, plant and equipment

The schedule below shows the evolution in the historic cost and accumulated depreciation and the value of assets in the period considered:

(€ '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	6,795	2,614	6,714	27	896	17,819
Depreciation	-	-	-	( 67)	-	-	( 67)
Previous year's depreciation	( 75)	( 3,613)	( 2,001)	( 3,980)	-	( 198)	( 9,867)
<b>OPENING BALANCE</b>	<b>698</b>	<b>3,182</b>	<b>613</b>	<b>2,667</b>	<b>27</b>	<b>698</b>	<b>7,885</b>
Purchases	-	50	162	642	6	-	860
Disposals	-	( 85)	( 16)	( 407)	-	-	( 508)
Decreases due to change in consolidation area	-	-	-	( 64)	-	-	( 64)
Other changes	-	( 161)	( 33)	( 145)	-	-	( 339)
Transfers	-	-	-	( 463)	-	-	( 463)
Depreciation in period	( 15)	( 645)	( 359)	( 623)	-	( 24)	( 1,666)
Reversal of cumulative depreciation	-	47	13	374	-	-	434
amortisation due to changes in consolidation area	-	-	-	31	-	-	31
Other changes in cumulative impairment	-	-	-	67	-	-	67
Other changes and transfers in cumulative depreciation	-	120	72	429	-	-	621
<b>TOTAL CHANGES</b>	<b>( 15)</b>	<b>( 674)</b>	<b>( 161)</b>	<b>( 159)</b>	<b>6</b>	<b>( 24)</b>	<b>( 1,027)</b>
Purchase or production cost	773	6,599	2,727	6,277	33	896	17,305
Depreciation	-	-	-	-	-	-	-
Cumulative depreciation	( 90)	( 4,091)	( 2,275)	( 3,769)	-	( 222)	( 10,447)
<b>CLOSING BALANCE</b>	<b>683</b>	<b>2,508</b>	<b>452</b>	<b>2,508</b>	<b>33</b>	<b>674</b>	<b>6,858</b>

The item "land and buildings", equal to €683 thousand, includes the carrying value of the land and building owned by the subsidiary I.P.S. Sistemi Programmabili S.r.l. (these assets are given as a guarantee for a mortgage loan opened by the subsidiary for an amount of €310 thousand) and to a smaller degree to costs incurred by the parent company for improvements on leased property.



The increase of €50 thousand in the item "plant and machinery", of €162 thousand in "industrial and commercial equipment" and of €642 thousand in "other fixed assets" refer mainly to the investments made to make the business more efficient and effective.

The item "fixed assets under lease" includes €674 thousand in the assets object of the lease contract, booked using the financial method, relating to land and buildings located on Amaro (UD), production site of the Company.

Other changes refer to the exchange differences on beginning balances.

### **3 – Investments in associates and other companies**

The schedule below shows the changes taking place in investments in associate companies and other companies in the period in question:



At December 31, 2009							
(€'000)	INITIAL VALUE	INCREASES	DECREASES	WRITE-UPS /WRITE-DOWN	OTHER	EOP VALUE	%OWNERSHIP
<b>Investments in associate companies:</b>							
Chengdu Vantron Technology Inc.	-	666	-	( 382)	-	284	49.50%
Delos S.r.l.	21	-	-	-	-	21	40.00%
Union Arrow Technologies Inc.	-	245	-	-	-	245	36.00%
Emilab S.r.l.	26	-	-	19	-	45	24.82%
eVS embedded Vision Systems S.r.l.	3	-	-	4	-	7	32.00%
UTRI S.p.A.	825	-	-	( 46)	-	779	21.32%
<b>TOTAL INVESTMENTS IN ASSOCIATE COMPANIES</b>	<b>875</b>	<b>911</b>	<b>-</b>	<b>( 405)</b>	<b>-</b>	<b>1,381</b>	
<b>Investments in other companies:</b>							
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	-	-	-	-	36	6.10%
Veneto Nanotech Scpa	10	-	-	-	-	10	
Kairos Autonomi	189	-	-	-	( 6)	183	19.00%
Others	2	-	-	-	-	2	
<b>TOTAL INVESTMENTS IN OTHER COMPANIES</b>	<b>249</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 6)</b>	<b>243</b>	
<b>TOTAL INVESTMENTS</b>	<b>1,124</b>	<b>911</b>	<b>-</b>	<b>( 405)</b>	<b>( 6)</b>	<b>1,624</b>	

At 31 December 2009 Eurotech owned the following shareholdings in associates to which the equity method of accounting is applied:

- Emilab S.r.l. = 24.82%, founded in 1998;
- Delos S.r.l. = 40%, founded during the first half of 2005;
- eVS embedded Vision Systems S.r.l. = 32%, a spin-off from the University of Verona;
- UTRI S.p.A.: 21% pursuant to acquiring additional shares in 2007 and 2008;
- Chengdu Vantron Technology Inc., a company already consolidated and currently owned for 49.5%, following sale of 15.5% of the share capital at year-end 2009;
- Union Arrow Technologies Inc. a Japanese subsidiary of Advanet Inc ( 40% ) and founded in July 2009.

The ending dates of the financial statements and financial years of all the associated companies coincide with those of the parent company.

The schedule below shows the values of the assets, liabilities, revenues and financial year results of the shareholdings in affiliated companies at 31 December 2008, as the year-end 2009 information is not yet available:

(€'000)	At December 31, 2009							At December 31, 2008				
	Emilab	Delos	UTRI	evS	Union Arrow Tech.	Vantron	TOTAL	Emilab	Delos	UTRI	evS	TOTAL
<b>Share of the Associate's balance sheet:</b>	(*)	(*)	(*)	(*)				(*)	(*)	(*)		
Current assets	281	117	1,406	145	n/a	803	2,752	386	158	1,352	803	2,699
Non current assets	225	74	2,715	7	n/a	31	3,052	224	139	2,083	31	2,477
Current liabilities	(320)	(117)	(2,979)	(121)	n/a	(208)	(3,745)	(393)	(208)	(2,228)	(208)	(3,037)
Non current liabilities	(7)	0	(59)	(8)	n/a	0	(74)	(7)	(4)	(355)	0	(366)
<b>Net assets</b>	<b>179</b>	<b>74</b>	<b>1,083</b>	<b>23</b>	<b>0</b>	<b>626</b>	<b>1,985</b>	<b>210</b>	<b>85</b>	<b>852</b>	<b>626</b>	<b>1,773</b>
Revenue	486	158	1,379	118	n/a	1,653	3,794	495	(82)	1,093	1,653	3,159
Profit (Loss)	37	(11)	(218)	12	n/a	176	(4)	69	(5)	71	176	311
Carrying amount of the investment	45	21	779	7	245	284	1,381	26	21	825	3	875

(\*) FY2008

(\*\*) FY2007

#### 4 – Other non-current assets

The schedule below shows the composition of other non-current assets at 31 December 2008 and 31 December 2009:

(€'000)	at December 31, 2009	at December 31, 2008
Other non-current receivables	791	749

Other receivables are constituted mainly by security deposits that do not accrue interest.

#### 5 - Inventories

The schedule below shows the composition of inventories at 31 December 2008 and 31 December 2009:

(€'000)	at December 31, 2009	at December 31, 2008
Raw & auxiliary materials and consumables - gross	5,764	7,647
Inventory write-down provision	(611)	(580)
<b>Raw &amp; auxiliary materials and consumables - net</b>	<b>5,153</b>	<b>7,067</b>
<b>Work in process and semi-finished goods</b>	<b>6,367</b>	<b>8,005</b>
Finished products and goods for resale - gross	6,419	5,513
Inventory write-down provision	(919)	(830)
<b>Finished products and goods for resale - net</b>	<b>5,500</b>	<b>4,683</b>
<b>Advances</b>	<b>40</b>	<b>28</b>
<b>TOTAL INVENTORIES</b>	<b>17,060</b>	<b>19,783</b>

Inventories at 31 December 2009 amount to €17,060 thousand, net of inventory losses for a total of €1,530 thousand. The decrease in inventories, referring chiefly to finished product inventories, was due to the performance of sales in the last quarter.

The schedule below shows changes in the inventory write-down reserve in the periods considered

CHANGES IN CUMULATIVE INVENTORY WRITE-DOWN PROVISION - € '000	at December 31, 2009	at December 31, 2008
<b>OPENING BALANCE</b>	<b>1,410</b>	<b>937</b>
Provisions	853	1,562
Utilization	(718)	(1,135)
Other changes	(15)	46
<b>CLOSING BALANCE</b>	<b>1,530</b>	<b>1,410</b>

The item "other changes" refers to changes in the write-down reserves due to the exchange differences.

The "raw materials inventory write-down reserve" of €611 thousand refers to obsolete or slow moving materials, whose value is considered difficult to recover by some Group companies.

The finished products write-down reserve increased primarily to cover the risks of slow turnover of certain standard and custom finished products.

## 6 - Work in progress

The schedule below shows the information related to work in progress at 31 December 2009 and 31 December 2008:

(€'000)	at December 31, 2009	at December 31, 2008
Contract revenues recognised as revenue in the period	948	14
Contract costs borne as at balance-sheet date	784	8
<b>Profits recognised as at balance-sheet date</b>	<b>164</b>	<b>6</b>
Down payments received	0	0
Gross amount owed by customer for contractual work	819	383
Contract costs and profits recognised as at balance-sheet date	948	14
Revenues recognised in previous periods	645	631
Billing based on completion status	774	262
<b>Gross amount owed by customer for contractual work</b>	<b>819</b>	<b>383</b>

The amount referring to down payments received is posted in the item "Other current liabilities" in the sub-item "Amounts owed to customers".

## 7 - Trade receivables

The schedule below shows the breakdown of trade receivables and the respective adjustment reserves at 31 December 2009 and 31 December 2008:

(€'000)	at December 31, 2009	at December 31, 2008
Trade receivables - customers	24,184	22,516
Trade receivables - affiliate companies	2	0
Doubtful debt provision	(1,151)	(453)
<b>TOTAL TRADE RECEIVABLES</b>	<b>23,035</b>	<b>22,063</b>

Note that, as 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 with respect to 31 December 2008 by €972 thousand. This increase was mainly due to the concentration of revenue in the last months of 2009 versus a more uniform distribution in the previous year. Receivables include € 302 thousand of cash orders presented subject to collection but not yet due at the end of the reporting period.

In 2008 and 2009, the parent company executed factoring of receivables that set forth transfer of the risk and benefits to premier financial counterparties. At 31 December 2009, there are no sale transactions in progress, while these totalled €2,161 thousand at 31 December 2008.

Receivables are shown net of the allowance for doubtful accounts of €1,151 thousand. Changes in the allowance for doubtful accounts in the years considered were as follows:

CHANGES IN CUMULATIVE DOUBTFUL DEBT PROVISION - € '000	at December 31, 2009	at December 31, 2008
<b>OPENING BALANCE</b>	<b>453</b>	<b>464</b>
Provisioning	734	332
Other changes	(32)	116
Utilisation	(4)	(459)
<b>CLOSING BALANCE</b>	<b>1,151</b>	<b>453</b>

Provisions made during the financial year of €734 thousand were necessary to adjust the value of individual receivables to their presumed realisable value. The 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 in the provision of €4 thousand refers to its use in writing down receivables that have become uncollectable.

As at 31 December, trade receivables that were past due but not written down were as follows:

	Overdue but not write-off						
€ '000	Total	Not overdue	<30 days	30 - 60 days	60 - 90 days	90 - 180 days	Over 180 days
2008	22,063	14,311	3,066	2,808	579	127	1,172
2009	23,035	16,241	4,402	868	315	557	652

## 8 – Tax receivables and payables

Receivables for income taxes represent receivables to the 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 American companies pursuant to payment of interest charges on infragroup loans and dividends distributed to the parent company.

Income tax payables are made up of current taxes relating to the 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 based on the allowances currently in force in each country. Payables for foreign taxes amounted to €1,757 thousand (2008: €1,450 thousand), while Italian tax payables amounted to €9 thousand (2008: € 11 thousand).

Payables and receivables for income taxes are off set if there is a legal right to compensation.

## 9 - Other current assets

The schedule below shows the composition of other current assets at 31 December 2008 and 31 December 2009:

(€'000)	at December 31, 2009	at December 31, 2008
Amounts receivable for grants	208	651
Advance payments to suppliers	156	104
Tax receivables	448	309
Other receivables	359	740
Accrued income and prepaid expenses	711	988
<b>TOTAL OTHER CURRENT ASSETS</b>	<b>1,882</b>	<b>2,792</b>

Receivables for contributions to receive refer to recognition of contributions that will reasonably be collected by the subsidiary, Eurotech S.p.A. no later than the next year in exchange for development of new products and technologies carried out in the previous year.

Tax receivables represent mainly receivables for indirect (VAT) taxation. Receivables for VAT do not bear interest and are generally regulated 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 composition of cash and equivalents at 31 December 2008 and 31 December 2009:

(€'000)	at December 31, 2009	at December 31, 2008
Bank and post office deposits	27,879	38,640
Cash and valuables in hand	45	44
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<b>27,924</b>	<b>38,684</b>

Bank deposits are mostly on demand and are remunerated at a variable rate of interest. The fair value of cash & cash equivalents was €27,924 thousand (vs. €38,684 thousand as at 31 December 2008).

Cash and cash equivalents decreased by €10,761 thousand vs. 31 December 2008 largely due to cash utilised to pay off loan installments before the due date, short-term portions paid on medium- to long term loans.

Note that cash and cash equivalents of €990 thousand are restricted by an escrow against the outstanding payable for acquisition of ex-Applied Data Systems Inc. (€1,024 thousand at 31 December 2008).

### 11 - Other financial assets

"Other financial assets" for €236 thousand refers to transferring to a partner the relevant share of a loan received by the French subsidiary as lead manager of a project financed in France. The amount pertaining to 2008 (€ 719 thousand) refers to an interest-bearing loan that the American subsidiary Eurotech Inc. granted to a customer to give it financial assistance in its commercial activities, was booked into the other current financial assets.

### 12 – Net financial position

The Group's net financial position at 31 December 2008 and 31 December 2009 is as follows :



(€'000)		at December 31, 2009	at December 31, 2008
Cash & cash equivalents	A	(27,924)	(38,684)
<b>Cash equivalent</b>	<b>B=A</b>	<b>(27,924)</b>	<b>(38,684)</b>
Other current financial assets	C	0	(719)
Derivative instruments	D	458	346
Short-term borrow ing	E	24,488	5,782
Business aggregation liabilities	F	10,428	0
<b>Short-term financial position</b>	<b>G=C+D+E+F</b>	<b>35,374</b>	<b>5,409</b>
<b>Short-term net financial position</b>	<b>H=B+G</b>	<b>7,450</b>	<b>(33,275)</b>
Medium/long term borrow ing allow ed to affiliates companies	I	(511)	0
Business aggregation liabilities	J	989	8,049
Other non current financial assets	K	(236)	0
Medium/long term borrow ing	L	2,417	24,654
<b>Medium-/long-term net financial position</b>	<b>M=I+J+K+L</b>	<b>2,659</b>	<b>32,703</b>
<b>NET FINANCIAL POSITION</b>	<b>N=H+M</b>	<b>10,109</b>	<b>(572)</b>

At 31 December 2009, the financial position amounted to € 10,019 thousand and is affected by reporting payables for business combinations for a total of €11,417 thousand, due chiefly to reporting the put option for acquisition of 25% of the shares in the Japanese Advanet Inc for €10,428 thousand and the outstanding payable to former shareholders of Applied Data Systems Inc. for €989 thousand (€7,025 thousand and €1,024 thousand respectively at 31 December 2008).

Furthermore, the increase in current financial debt is due to application of IAS 1.65, in terms of classification of debt that has become liable on demand.

At year-end 2009, the Eurotech Group finds itself in violation of one of the covenants set forth in the medium/long-term loans in effect, if interpretation of the contract with the lenders is extensive and therefore also includes payables for business combinations in financial payables. While the lenders have informally expressed their intention to not demand immediate repayment of the debt as a result of non-compliance with the covenant, Eurotech has classified the portion of the medium/long-term loans subject to the covenant as current. The reclassified amount, which based on the original due date is collectible after 12 months at 31 December 2009, is €17,193 thousand.

### 13 – Shareholders' equity

The schedule below shows the composition of shareholders' equity at 31 December 2008 and 31 December 2009:

(€'000)		at December 31, 2009	at December 31, 2008
Share capital		8,879	8,879
Reserves		108,017	125,180
<b>Group shareholders' equity</b>		<b>116,896</b>	<b>134,059</b>
<b>Equity attributable to minority interest</b>		<b>3,178</b>	<b>3,414</b>
<b>Total shareholders' equity</b>		<b>120,074</b>	<b>137,473</b>

Share capital at 31 December 2009 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 2009 comes to €39 thousand and is 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 cumulative translation reserve, which comes to €8,213 thousand, is generated by inclusion in the consolidated balance sheets and income statements of the American subsidiaries Parvus Corp., Eurotech Inc., and E-Tech USA Inc., as well as of the British subsidiaries Eurotech Ltd. and E-Tech UK Ltd., and the Japanese subsidiaries of the Advanet Group.

The item "Other reserves" is negative for €23,010 thousand and is comprised of the surplus reserve of the parent company, formed by undistributed profit from prior years and losses carried forward, as well as other reserves. Changes were made in this reserve in the period in question for recognition to shareholders' equity net of the effect arising from the new estimate of the financial liability relating to the put option on the 25% minority share in the Advanet Inc. capital for €2,466 thousand, maturing no later than two months after approval of the financial statements at 31/12/2009. Last year, the difference between the original estimated price and the book value of the portion of net assets acquired by Advanet Inc was reported directly with shareholders' equity using the "entity concept" method; consequently, the new estimated price of minority shares object of the put option was charged directly to shareholders' equity. The amount of €2,466 fully compensates for the €1,081 thousand recognised last year and €1,081 thousand reflects the € 1,385 thousand difference between the recalculated price and the book value of the share of the net assets acquired by Advanet Inc.

The "cash flow hedge" which includes the hedge transactions on loans, in accordance with IAS 39, was negative for € 458 thousand and increased by € 111 thousand gross of the fiscal effect, also not recorded due to the absence of the requirements to do so.

The reserve for exchange differences which based on IAS 21 includes the exchange differences on intragroup loans in currency that make up part of a net investment in a foreign concern, is negative for € 2,226 thousand and reported an increase of € 652 thousand, gross of the related fiscal effect, also not recorded due to the absence of the requirements to do so.

The parent company Eurotech S.p.A held 420,140 treasury shares at the end of the year, unchanged on 2008.

The portion of equity attributable to minority interest consists of the share of equity and results belonging to minority shareholders in the subsidiaries Advanet Inc. and Spirit21 Inc. At 31 December 2009, the total was €3,178 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.

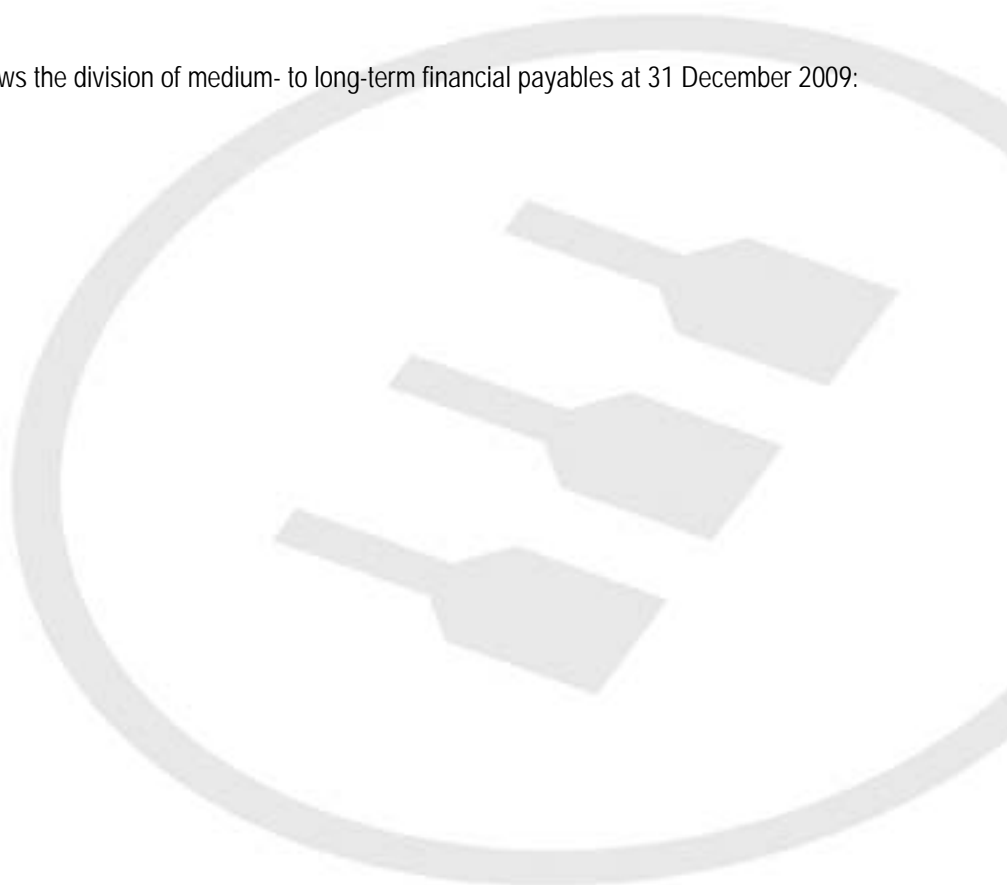
No equity transactions were reported in FY 2009 and 2008 that diluted earnings per share.

Below is a schedule of the earnings and information on the shares used to calculate base and diluted EPS.

	at December 31, 2009	at December 31, 2008
Net income (loss) attributable to parent company shareholders	( 9,601,000)	( 12,708,000)
Weighted average number of ordinary shares including ow n shares	35,515,784	35,515,784
Ow n shares	( 420,140)	( 78,543)
Weighted average number of ordinary shares except ow n shares	35,095,644	35,437,241
Net income (loss):		
- per share	( 0.274)	( 0.359)
- per share diluted	( 0.274)	( 0.359)

## 15 - Borrowings

The schedule below shows the division of medium- to long-term financial payables at 31 December 2009:



LENDER	COMPANY	BALANCE ON 31.12.2008	BALANCE ON 31.12.2009	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months	Long term Over 5 years
<b>CURRENT OUTSTANDINGS - (a)</b>		<b>335</b>	<b>1,731</b>	<b>1,731</b>	<b>-</b>	<b>-</b>	<b>-</b>
SIMEST	Eurotech S.p.A.	69	23	23	-	-	-
Finance Lease	Eurotech S.p.A.	531	436	99	337	337	-
Anvar	Eurotech France	365	565	-	565	500	65
<b>TOTAL OTHER FINANCINGS</b>		<b>965</b>	<b>1,024</b>	<b>122</b>	<b>902</b>	<b>837</b>	<b>65</b>
Banco di Brescia	Sae S.r.l.	9	-	-	-	-	-
<b>Total Gruppo Banca Lombardia</b>		<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Banca Pop. Friuladria (*)	Eurotech S.p.A.	11,000	9,000	2,000	7,000	7,000	-
<b>Total Credit Agricole</b>		<b>11,000</b>	<b>9,000</b>	<b>2,000</b>	<b>7,000</b>	<b>7,000</b>	<b>-</b>
Veneto Banca	Eurotech S.p.A.	796	488	321	167	167	-
<b>Total Veneto Banca</b>		<b>796</b>	<b>488</b>	<b>321</b>	<b>167</b>	<b>167</b>	<b>-</b>
Banca Intesa	I.P.S. Sist.Progr. S.r.l.	10	-	-	-	-	-
Banca Intesa	I.P.S. Sist.Progr. S.r.l.	38	9	9	-	-	-
<b>Total Gruppo INTESA - SAN PAOLO</b>		<b>48</b>	<b>9</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>
The Chugoku Bank Ltd	Advanet Inc.	3,273	2,166	1,299	867	867	-
<b>Total The Chugoku Bank Ltd</b>		<b>3,273</b>	<b>2,166</b>	<b>1,299</b>	<b>867</b>	<b>867</b>	<b>-</b>
Cassa Rurale della Valle dei Laghi	EthLab S.r.l.	-	431	38	393	169	224
<b>Total Credito Cooperativo Banks</b>		<b>-</b>	<b>431</b>	<b>38</b>	<b>393</b>	<b>169</b>	<b>224</b>
Unicredit	EthLab S.r.l.	165	127	40	87	87	-
Unicredit	Eurotech S.p.A.	83	-	-	-	-	-
Unicredit	Eurotech S.p.A.	105	35	35	-	-	-
Unicredit (*)	Eurotech S.p.A.	13,492	11,892	1,699	10,193	7,904	2,289
<b>Total Gruppo Unicredit</b>		<b>13,845</b>	<b>12,054</b>	<b>1,774</b>	<b>10,280</b>	<b>7,991</b>	<b>2,289</b>
Crédite Lyonnais	Eurotech France	7	1	1	-	-	-
Chengdu Commercial Bank	Chengdu Vantron Tech.Inc.	158	-	-	-	-	-
<b>TOTAL BANK DEBT - (c)</b>		<b>29,136</b>	<b>24,149</b>	<b>5,442</b>	<b>18,707</b>	<b>16,194</b>	<b>2,513</b>
<b>TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]</b>		<b>30,101</b>	<b>25,173</b>	<b>5,564</b>	<b>19,610</b>	<b>17,031</b>	<b>2,578</b>
<b>TOTAL DEBT - [(a) + (b) + (c)]</b>		<b>30,436</b>	<b>26,904</b>	<b>7,295</b>	<b>19,610</b>	<b>17,031</b>	<b>2,578</b>
<b>RECLASSIFICATION OF CURRENT SUBJECT TO COVENANT FUNDING</b>		<b>-</b>	<b>-</b>	<b>17,193</b>	<b>(17,193)</b>	<b>(14,904)</b>	<b>(2,289)</b>
<b>TOTAL DEBT AFTER RECLASSIFICATION</b>		<b>30,436</b>	<b>26,904</b>	<b>24,488</b>	<b>2,417</b>	<b>2,127</b>	<b>289</b>

(\*) The loans related to Unicredit of € 11,892 thousand and Banca Popolare Friuladria of € 9,000 thousand in the financial statements are all represented as short term following the violation of the covenants established by the respective loan contracts despite that the lenders have expressed their informal agreement not to demand early repayment of the loan. This classification is consistent with the provisions of IAS 1.65.

### Bank overdrafts

Bank overdrafts are not backed by unsecured or secured guarantees. These also include uses with the technical form of "subject to collection" and loans granted by factoring companies.

### Other loans

Other loans refer to:

- a reduced-rate loan granted by SIMEST to the parent company for €23 thousand falling due in 2010, against the costs incurred to open the representative office in Shanghai, China;
- a residual debt in the amount of €436 thousand (€337 thousand of which medium- to long-term) for future lease payments for a property lease between the parent company and S.B.S. Leasing S.p.A., which has been recognised as a finance lease and is related 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 low-interest loan granted to the subsidiary Eurotech France S.a.s. for €565 thousand (of which €565 thousand medium- to long-term) falling due in 2014, against R&D activities carried out. As the subsidiary Eurotech France S.a.s. was the lead company in the project, this amount also includes the redistributed share to the project partners and amounts to € 236 thousand, which was represented with financial assets.

*Bank loans*

Bank loans refer mainly to:

- a loan granted to the parent company by Banca Popolare Friuladria for €9 million (of which €7 million in the medium- to long-term) falling due in 2014 against the investment made to use a subsidiary to acquire Arcom Control Systems Inc. (now merged into Eurotech Inc.) and Arcom Control Systems Ltd. (now Eurotech Ltd.). This loan is subject to covenants with annual verification based on the ending financial statements of the consolidation. These "covenants" (which include early repayment or an increase in the rate by 50 BP), concern the ratio between net debt and shareholders' equity, net debt and EBITDA, financial charges and taxes, and the undertaking to maintain at least 70% of possession of the Arcom Group for the entire duration of the loan;
- a loan granted by Veneto Banca to the parent company for €488 thousand (of which €167 thousand medium- to long-term) expiring in 2011 against the investment made to acquire the Arcom Group companies;
- a short-term loan for €9 thousand (considered collectable by year-end) granted by Banca Intesa to the subsidiary I.P.S. Sistemi Programmabili S.r.l., falling due in 2010;
- a loan granted by Unicredit for €35 thousand to the parent company to finance development of new products, falling due in 2010;
- a loan granted by Unicredit for €127 thousand to the subsidiary EthLab S.r.l. during the year (of which €87 thousand medium- to long-term) to finance the development of new products, with expiration in 2012 ;
- a loan incurred with Unicredit for €11,892 thousand (of which €10,193 thousand medium- to long term) to the parent company during the year with expiration in 2015 to finance the acquisition of Applied Data Systems Inc. (now Eurotech Inc.). This loan is subject to covenants (which include the possibility of early repayment or increase in the interest rate by 50 BP) with annual verification based on the ending consolidated financial statements. These covenants concern the ratio between net debt and shareholders' equity, net debt and EBITDA, financial charges and taxes (this ratio was not honoured at 31 December 2009);
- a number of loans granted to Advanet Inc. by The Chugoku Bank Ltd. for a total of € 2,165 thousand (€866 thousand medium- to long-term) which depart from the financial debt policy that the Japanese Group had adopted before the acquisition by Eurotech, in view of the low interest rate on the local market;
- A loan granted in the year to EthLab S.r.l., originally for € 450 thousand and an outstanding € 431 thousand (of which € 393 thousand in the medium and long term) for acquisition of know how and patents.

**16 - Employee benefits**

The schedule below shows the composition of employee benefits at 31 December 2008 and 31 December 2009:

	at December 31, 2009	at December 31, 2008
(€'000)		
Employees' leaving indemnity	423	470
Foreing Employees' leaving indemnity	1,083	1,176
Employees' retirement fund	103	96
<b>TOTAL EMPLOYEES' BENEFITS</b>	<b>1,609</b>	<b>1,742</b>

*Defined benefits plans*

The schedule below shows the composition of defined benefits at 31 December 2008 and 31 December 2009:

(€ '000)	Defined benefit plans			
	Italy		Japan	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Liabilities at start of period	470	532	1,176	892
Cost relating to present service	24	26	147	100
Finance expense	13	17	19	17
Other changes	0	0	(67)	299
Benefits paid out	(78)	(105)	(193)	(132)
Actuarial loss (gain) recognised	(6)	0	1	0
Liabilities at end of period	423	470	1,083	1,176

The defined benefits 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 as a result, with the business combination taking place, the company proceeded to value the related liability based on the 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 benefits 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 benefits plans and the fair value of the assets referred to the plans at that date (so called "corridor method").

Also pursuant to the "Financial Law 2007", 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 benefits plans, both in the event of option for supplementary retirement and option for allocation to the treasury fund at INPS. The accounting treatment of indemnity leaves is now made similar to the one that already exists 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	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Discount Rate	4.83%	4.83%	1.60%	1.60%
Expected rates of future wages and salary increases	3.00%	2.83%	1.00%	1.00%
Expected rates of staff turnover	10.00%	10.00%	1.00%	1.00%
Duration	23	23	29	21

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	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Projected benefit obligation at January 1,	501	554	1,238	892
Current Service cost	24	26	147	100
Interest cost	13	17	19	17
Other changes	0	0	(67)	299
Pensions paid	(78)	(105)	(193)	(132)
Actuarial gains or losses	(3)	9	10	62
<b>Projected benefit obligation at December 31</b>	<b>457</b>	<b>501</b>	<b>1,154</b>	<b>1,238</b>

The Group's application of the corridor method in recording "actuarial" gains and losses for each defined benefits plan has led to a difference between the current value of the obligation and the liability recorded. The schedule below reports the limits of the corridor compared with the cumulative actuarial profits and losses not reported to determine the net actuarial profit or loss that must be reported in the following year.

Limits of the 'corridor' (€'000)	Defined benefit plans			
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Unrecognized actuarial gains or losses at January 1	32	22	52	0
Corridor at January 1	50	55	102	89
<b>Difference (A)*</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Duration	23	23	29	21
Recognized actuarial gains or losses (A/B)	0	0	1	0
Unrecognized actuarial gains or losses at January 1	32	22	52	0
Actuarial gains or losses per year	(1)	9	9	62
<b>Subtotal</b>	<b>31</b>	<b>31</b>	<b>61</b>	<b>62</b>
Recognized actuarial gains or losses	(6)	0	1	0
<b>Unrecognized actuarial gains or losses at December 31</b>	<b>37</b>	<b>31</b>	<b>60</b>	<b>62</b>

Below is the reconciliation statement between 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	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Projected benefit obligation	460	501	1,154	1,238
Unrecognized actuarial gains or losses	37	31	61	62
Other changes	0	0	(10)	0
<b>Provisions for pensions charged to balance sheet</b>	<b>423</b>	<b>470</b>	<b>1,083</b>	<b>1,176</b>
Current Service cost	24	26	147	100
Interest cost	13	17	19	17
Recognized actuarial gains or losses	(6)	0	1	0
<b>Costs charged to income statement</b>	<b>31</b>	<b>43</b>	<b>167</b>	<b>117</b>

### *Employee severance indemnity reserve*

The employee severance indemnity reserve refers to the charge that the subsidiary Eurotech France S.A.S. must pay employees if they are still employed by the subsidiary when they reach retirement age.

With adoption of the IFRS, the indemnity falls under the case of other long-term benefits to employees to account for under IAS 19 and as a result, the respective liability is evaluated based on actuarial techniques.

Actuarial gains and losses are immediately recorded and the corridor method is not used.

The schedule below shows the composition of the employee retirement reserve at 31 December 2008 and 31 December 2009:

	at December 31, 2009	at December 31, 2008
<b>EMPLOYEES' RETIREMENT FUND on €'000</b>		
<b>JANUARY 1,</b>	<b>96</b>	<b>88</b>
Provision	7	8
Utilization	-	-
Discounting back / Actuarial value	-	-
<b>RESERVE AT THE END OF THE PERIOD</b>	<b>103</b>	<b>96</b>

## **18 - Reserve for risks and charges**



The schedule below shows the composition of the reserve for risks and charges at 31 December 2008 and 31 December 2009:

(€'000)	at December 31,	
	2009	2008
Selling agents' commission fund	34	39
Director termination fund	391	557
Guarantee reserve	463	544
Generic risk reserves	130	216
Busting depreciable asset	582	565
<b>TOTAL FUNDS FOR COSTS AND FUTURE RISKS</b>	<b>1,600</b>	<b>1,921</b>

#### *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 to directors with mandate provided by the by-laws 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. The increase was due to changes made to the provision by several group companies in compliance with company policies.

#### *Other risks reserve*

The "Other risks reserve" is allocated pursuant to expected costs to incur for risks related to legal disputes not yet settled and other risks.

#### *Asset disposal reserve*

The Asset disposal reserve was allocated in response to an obligation for the costs that a number of Japanese companies of the Group will have to incur in future periods for the disposal, demolition, disassembly, and removal of a number of assets at the end of their useful lives.

The schedule below shows the changes in the reserve for risks and charges in the years considered:

	at December 31, 2009	at December 31, 2008
<b>SELLING AGENTS' COMMISSION FUND on €'000</b>		
<b>JANUARY 1,</b>	<b>39</b>	<b>32</b>
Provision	9	7
Utilization	( 14)	-
<b>RESERVE AT THE END OF THE PERIOD</b>	<b>34</b>	<b>39</b>
<b>DIRECTOR TERMINATION FUND on €'000</b>		
<b>JANUARY 1,</b>	<b>557</b>	<b>553</b>
Provision	0	88
Other	(29)	127
Utilization	(137)	(211)
<b>RESERVE AT THE END OF THE PERIOD</b>	<b>391</b>	<b>557</b>
<b>GUARANTEE RESERVE on €'000</b>		
<b>JANUARY 1,</b>	<b>544</b>	<b>374</b>
Provision	29	272
Other	(6)	1
Utilization	(104)	(103)
<b>RESERVE AT THE END OF THE PERIOD</b>	<b>463</b>	<b>544</b>

	at December 31, 2009	at December 31, 2008
<b>GENERIC RISK on €'000</b>		
<b>JANUARY 1,</b>	<b>216</b>	<b>30</b>
Provision	0	211
Other	0	(5)
Utilization	(86)	(20)
<b>RESERVE AT THE END OF THE PERIOD</b>	<b>130</b>	<b>216</b>
<b>BUSTING DEPRECIABLE ASSET on €'000</b>		
<b>JANUARY 1,</b>	<b>565</b>	<b>356</b>
Other	95	199
Utilization	(83)	0
Discounting back / Actuarial value	5	10
<b>RESERVE AT THE END OF THE PERIOD</b>	<b>582</b>	<b>565</b>

### 18 - Trade payables

The schedule below shows the composition of trade payables at 31 December 2008 and 31 December 2009:

	at December 31, 2009	at December 31, 2008
(€'000)		
Third parties	13,907	15,207
Affiliate companies	264	0
<b>TOTAL TRADE PAYABLES</b>	<b>14,171</b>	<b>15,207</b>

Trade payables at 31 December 2009 came to €14,171 thousand, posting a decrease of €1,036 thousand with respect to 31 December 2008. Trade payables are non-interest bearing and, on average, are settled 90-120 days after invoice date.

## 19 - Payables for business combinations

Payables for business combinations amounted to €11,417 thousand, of which € 10,428 are non-current. The amount breaks down as follows:

- the fair value of financial liabilities is €10,428 thousand against the put option on the 25% share of the securities of Advanet Inc. to be exercised within two months of approval of the 2009 financial statements of the Japanese companies. For more information, see the provisions of paragraph F;
- a residual warranty debt of € 989 thousand vis-à-vis shareholders of Applied Data Systems Inc. (now Eurotech Inc.) for the part of the price bound to an escrow account.

## 20 - Other current liabilities

The schedule below shows the composition of other current liabilities at 31 December 2008 and 31 December 2009:

(€'000)	at December 31,	
	2009	2008
Social contributions	345	780
Other	3,599	3,478
Other tax liabilities	590	597
Accrued expenses	321	192
<b>TOTAL OTHER CURRENT LIABILITIES</b>	<b>4,855</b>	<b>5,047</b>

### *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 composition of other payables at 31 December 2008 and 31 December 2009:

	at December 31, 2009	at December 31, 2008
(€'000)		
Employees	770	1,180
Vacation pay	791	533
Directors	32	30
Advances from customers	820	150
Grants advances	277	586
Other	909	999
<b>TOTAL OTHER PAYABLES</b>	<b>3,599</b>	<b>3,478</b>

Amounts payable to employees refer to salaries and wages for the month of December 2009 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 reference dates. These recent payables include related contributions.

The item "Customer down payments" amounts to €820 thousand and refers to down payments charged to customers against supplies to make.

The advances for contributions refer to prepayments made upon requests for contributions that were already accounted for and to be accounted for.

#### *Other tax payables*

The item other tax payables, partly due by the next month, is composed of indirect taxes (VAT) and withholdings on employee income.

## **21 - Commitments and guarantees**

### **Operating lease commitments – Group as tenant**

The Group has entered into operating lease contracts 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 they hold. Operating leases of motor vehicles have an average life of 3 years.

In 2006, an operating lease contract was entered into on the property designated as administrative and technical offices for the parent company. This operating lease contract has a duration of six years beginning on 1 September 2006 and sets forth that the Company can rescind with advance notice of 12 months to the lessor. The contract 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 lease contract. 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 contracts in force at 31 December 2009 are as follows:

(€'000)	at December	
	31, 2009	31, 2008
Within 12 months	701	1,219
Over 12 months but within five years	2,687	1,565
Over 5 years	2,390	-

### Warranties

The Eurotech Group has the following potential liabilities as at 31 December 2009:

- a number of credit institutions have granted sureties to Group companies for a total of €824 thousand.
- Japanese subsidiary Advanet has granted sureties to credit institutions for JPY 877.5 million in total on behalf of associate company Union Arrow Technology Inc..

## I - Breakdown of key income statement items

### 22 - Costs of raw & auxiliary materials and consumables used

(€'000)	FY2009	
	FY2009	FY2008
Purchases of raw materials, semi-finished and finished products	40,150	35,987
Changes in inventories of raw materials	6,654	3,770
Change in inventories of semi-finished and finished products	(6,242)	1,563
<b>TOTAL COST OF MATERIALS</b>	<b>40,562</b>	<b>41,320</b>

The item "Costs for raw & auxiliary materials and consumables" posted a decrease, due to reduced sales volumes.

### 23 - Other operating costs

	FY2009	FY2008
(€'000)		
Service costs	15,529	17,268
Rent and leases	2,088	2,124
Payroll	25,694	27,433
Accruals and other costs	2,063	1,289
Cost adjustments for in-house generation of non-current assets	(2,604)	(1,989)
<b>Other operating costs net of cost adjustments</b>	<b>42,770</b>	<b>46,125</b>

## 24 – Costs for services

	FY2009	FY2008
(€'000)		
Industrial services	5,109	4,712
Commercial services	3,843	4,007
General and administrative costs	6,577	8,549
<b>Total costs of services</b>	<b>15,529</b>	<b>17,268</b>

In the periods considered, costs of services reported a decrease, chiefly due to the synergies that the companies achieved and the cost control policies implemented.

## 25 - Payroll costs

	FY2009	FY2008
(€'000)		
Wages, salaries, and Social Security	25,304	26,939
Severance indemnities	382	368
Retirement benefit and similar obligations	7	8
Other costs	1	118
<b>Total cost of personnel</b>	<b>25,694</b>	<b>27,433</b>

The item includes payroll costs which in the period in question reported a decrease due to the reduction in wages and salaries and the decrease in staff in some of the Group companies.

As reported in the schedule below, the number of Group employees has decreased at from 586 in 2008 to 530 in 2009 (which includes the 42 staff members working at Chengdu Vantron Technology, which left the area of consolidation at 31 December 2009).

Employees	Average 2009	FY2009	Average 2008	FY2008
Management	2.0	2	2.0	2
Clerical workers	463.3	446	524.4	488
Line workers	82.8	82	73.2	96
<b>TOTAL</b>	<b>548.0</b>	<b>530</b>	<b>599.6</b>	<b>586</b>

## 26 - Other provisions and costs

	FY2009	FY2008
(€'000)		
Doubtful debt provision	734	332
Other Provisions	38	578
Other costs	1,291	379
<b>Total accruals and other costs</b>	<b>2,063</b>	<b>1,289</b>

The amounts in the item "Allowance for doubtful accounts" refer to provisions made to the respective reserve to represent receivables at their realisable value. The item "provisions" includes allocations made for product warranties and other risks and legal disputes.

Other operating costs include losses on receivables for € 245 migliaia and € 196 thousand relating to the loss on the sale of the Chengdu Vantron Technology Inc. investment.



**27 – Other revenue**

	FY2009	FY2008
(€'000)		
Government grants	318	1,096
Sundry revenues	774	539
<b>Total other revenues</b>	<b>1,092</b>	<b>1,635</b>

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 internationalization process of the parent company.

**28 - Cost adjustments for internally generated non-current assets**

The item "in-house generation of non-current assets" at 31 December 2009 (equal to €2,604 thousand) refers to €88 thousand in capitalised costs of in-house personnel and materials incurred by the parent company for a number of new product development projects in wearable PC units; €823 thousand for the costs incurred in-house to design a new board for a new low-consumption processor; €914 thousand for the costs incurred by the subsidiaries Eurotech Ltd. and EthLab for realisation of new HPC systems; €381 thousand for costs incurred by the subsidiary Eurotech Ltd for new products; €57 thousand incurred by the subsidiary I.P.S. Sistemi Programmabili S.r.l. primarily for personnel costs; and €341 thousand for the cost of materials and personnel incurred by the subsidiary Parvus Corp. for the realisation of a new mobile router in the transport sector and a "rugged" display.

Total adjustments for internal increases are comprised of €1,591 thousand in payroll costs (€1,111 thousand in 2008), €789 thousand in costs for services (€808 thousand in 2008), and €224 thousand for the cost of materials (€80 thousand in 2008).

**29 - Amortisation, depreciation and write-downs**

	FY2009	FY2008
(€'000)		
Amortisation of intangible assets	5,541	6,323
Amortisation of property, plant and equipment	1,664	1,622
Write-down of fixed assets	716	11,500
<b>Total amortisation and depreciation</b>	<b>7,921</b>	<b>19,445</b>

This change was due mainly to the write-downs made in 2008 to the Arcom and the ADS brands for €10,770 thousand. Amortisation and depreciation relating to the *price allocation* refer to customer relationships for € 3,052 thousand while in 2008 it referred to customer relationships (for €2,682 thousand), brands (€424 thousand), and the order book (€1,098 thousand).

**30 – Financial charges and income**

	FY2009	FY2008
(€'000)		
Exchange-rate losses	1,756	2,436
Exchange-rate losses from PUT option	261	1,495
Interest expenses	998	2,390
Interest expenses due to the discounting	676	247
Expenses on derivatives	217	65
Other finance expenses	46	77
<b>Financial charges</b>	<b>3,954</b>	<b>6,710</b>

	FY2009	FY2008
(€'000)		
Exchange-rate gains	1,349	2,846
Interest income	631	1,805
Other finance income	20	1
<b>Financial incomes</b>	<b>2,000</b>	<b>4,652</b>
<b>Net financial income</b>	<b>( 1,954)</b>	<b>( 2,058)</b>

The decrease in finance expense was €2,756 thousand, reporting a decrease from € 6,710 thousand in 2008 to €3,954 thousand in 2009. The decrease is due to lower exchange losses, for a total of €1,914 thousand and the lower finance expenses. The decrease in interest payables was due to the increase in debt following the loan incurred and the cost of money.

Finance charges show a decrease of € 2,652 thousand increasing from € 4,652 thousand in 2008 to € 2,000 thousand in 2009. This decrease is due to the combined effect of a decrease in currency gains (particularly in euro-dollar and euro-yen exchange rates) which have more than compensated for the decrease in interest earned on cash and bank balances used in 2009.

**31 – Income tax for the period**

Income taxes come to - €3,201 thousand in 2008 and a € 481 thousand in 2009.

	FY2009	FY2008
(€'000)		
Pre-tax result	(8,991)	(15,679)
Income taxes	(481)	3,201

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:

(€'000)	FY2009	FY2008
IRES (Italian corporate income tax)	0	14
IRAP (Italian Regional business tax)	17	26
Foreign current income taxes	2,795	2,395
<b>Total current income tax</b>	<b>2,812</b>	<b>2,435</b>
Net (prepaid) deferred taxes: Italy	(13)	77
Net (prepaid) deferred taxes: Non-italian	(2,318)	(5,713)
<b>Net (prepaid) deferred taxes</b>	<b>(2,331)</b>	<b>(5,636)</b>
<b>TOTAL INCOME TAXES</b>	<b>481</b>	<b>(3,201)</b>

Taxes at 31 December 2009 amount to € 481 thousand (of which €2,812 thousand for current taxes and € - 2,331 thousand for deferred tax assets) with respect to a positive impact on income statement of €3,201 thousand at 31 December 2008 (of which €2,435 thousand for current taxes and € -5,636 thousand for deferred tax assets), posting an increase of €3,876 thousand.

Reconciliation of income taxes (IRES) applicable to pre-tax profits of the Group, using the tax rate in force, with respect to the actual rate for periods ended 31 December 2008 and 31 December 2009, is as follows:

(€'000)	FY2009	FY2008
<b>Italian statutory tax rate</b>	27.50%	27.50%
<b>Earning before tax</b>	(8,991)	(15,679)
<b>Taxes at the Italian statutory rate</b>	(2,473)	(4,312)
Difference between the Italian statutory rate and the foreign tax rates	195	(422)
Adjustement of last year taxes	(173)	(187)
Write-off of last year deferred tax	30	115
Deferred tax on losses not booked	2,359	2,067
Deferred tax on permanent differences not booked	258	(587)
Deferred tax assets related to last year tax losses	0	(505)
Non-taxable incomes/relief	(381)	(437)
Non-deductible costs	744	910
Other permanent differences	(92)	131
<b>Real fiscal charge IRES</b>	467	(3,227)
Current taxes	2,968	2,596
Deferred taxes	(2,328)	(5,636)
Income tax of last year	(173)	(187)
<b>Real tax charge IRES</b>	467	(3,227)
Current taxes IRAP	17	26
Deferred taxes IRAP	(2)	0
<b>Real tax change IRAP</b>	15	26
<b>Total Real Fiscal Charge</b>	482	(3,201)
<b>Real Tax rate</b>	-5.4%	20.4%

At 31 December 2009 and 31 December 2008, deferred tax assets are as follows:

(€'000)	FY2009	FY2008
<b>DEFERRED TAX ASSET</b>		
Allow ance for obsolete and slow moving inventory	238	214
Allow ance for doubtful accounts	318	95
Allow ance for guarantee reserve	40	27
Deductible expenses in subsequent years	1,011	1,521
Losses available to offset subsequent taxable profits	411	1,571
Equity method	132	0
IPO fees and costs	612	560
Effects of IFRS adoption	372	228
Offset taxes	(1,962)	(2,683)
<b>TOTAL DEFERRED TAXES ASSETS</b>	<b>1,172</b>	<b>1,533</b>
<b>DEFERRED TAX LIABILITIES</b>		
Depreciations	110	340
Effects of IFRS adoption	830	842
Tax effect on 'Price allocation'	11,813	13,750
Other temporary changes	63	307
Offset taxes	(1,962)	(2,683)
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>10,854</b>	<b>12,556</b>

The Group has fiscal losses arising in the parent company and subsidiaries Eurotech Ltd, Eurotech Filand Oy and Sae S.r.l., Eurotech Inc. and I.P.S. Sistemi Programmagili S.r.l. on which deferred tax assets of over €23.5 million (2008: €13 million) were not recognised, which can be reported with the timing limits applicable in each country to off set future taxable profits of the companies in which these losses arise. There were no deferred tax assets in relation to these losses since it does not foresee that they cannot be used to compensate future taxable profits in the validity.

At 31 December 2009, there were no deferred tax liabilities, posted or unposted, for taxes on undistributed income of some subsidiaries or affiliates, since there are no assumptions regarding distribution.

## **J – Other information**

### **32 – Related-party transactions**

The consolidated financial statements include the financial statements of Eurotech S.p.A. and its subsidiaries shown in the following schedule:

Name	Location	%of ownership 31.12.2009	%of ownership 31.12.2008
<b>Subsidiaries</b>			
Parvus Corp.	United States	100.00%	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Italy	100.00%	100.00%
ETH Lab S.r.l.	Italy	99.99%	99.99%
Eurotech Finland Oy	Finland	100.00%	100.00%
Eurotech France S.A.S.	France	100.00%	100.00%
Eurotech Ltd.	UK	100.00%	100.00%
E-Tech Inc.	United States	100.00%	100.00%
Eurotech Inc.	United States	100.00%	100.00%
E-Tech UK Ltd.	UK	100.00%	100.00%
ETH Devices S.r.o.	Slovakia	100.00%	-
Sae S.r.l.	Italy	100.00%	100.00%
Chengdu Vantron Technologies Inc.	China	-	65.00%
Advanet Inc.	Japan	65% (1)	65% (1)
Spirit21 Inc.	Japan	65% (1)	65% (1)
<b>Affiliated companies</b>			
Chengdu Vantron Technologies Inc.	China	49.50%	-
Delos S.r.l.	Italy	40.00%	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 is 90%

Note that the Japanese companies are involved in a purchase agreement which also provides for a put & call mechanism for the remaining 35% of the shares of Advanet. The consolidated financial statements account for 90% of the Advanet Group, insofar as the put option on 25% was counted.

After the sale of 15.5% of the participation, Chengdu Vantron Technologies Inc. was deconsolidated effective 31 December 2009.

Below is a list of the related-party transactions (in the period they were related parties), not eliminated during consolidation, and compensation accrued in favour of Directors and Auditors for the services provided to Eurotech S.p.A. and to its subsidiaries in compliance with the matters under Article 78 of CONSOB's Regulation for Issuers 11971/99, as amended, and Annex 3C of said 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
<b>Associated companies</b>						
Emilab S.r.l.	-	-	112	-	-	16
eVS embedded Vision Systems S.r.l.	-	-	10	-	-	12
Union Arrow Technology Inc.	1	-	1,302	-	1	14
Chengdu Vantron Technology Inc	-	-	-	-	31	222
Utri S.r.l.	-	14	-	511	-	-
<b>Total</b>	<b>1</b>	<b>14</b>	<b>1,424</b>	<b>511</b>	<b>32</b>	<b>264</b>
<b>Other related parties</b>						
Wulfenia	-	-	14	-	-	-
Finmeccanica Group	1,496	-	27	-	665	29
<b>Total</b>	<b>1,496</b>	<b>-</b>	<b>41</b>	<b>-</b>	<b>665</b>	<b>29</b>

Name		Expiration	at December 31, 2009			
			Fees for the appointment	Other fees	Benefits	Bonus
Siagri Roberto	President	In charge up to 31.12.2010 financials approval	337	10	3	-
Tecchiolli Giampietro	Vice President - Director	In charge up to 31.12.2010 financials approval	227	10	-	-
De Toni Alberto Felice	Director	In charge up to 31.12.2010 financials approval	20	-	-	-
Pizzul Cesare	Director	In charge up to 31.12.2010 financials approval	20	-	-	-
Chiara Mio	Director	In charge up to 31.12.2010 financials approval	20	-	-	-
Barazza Sandro	Director	In charge up to 31.12.2010 financials approval	7	102	2	-
Bagnato Filippo	Director	In charge up to 31.12.2010 financials approval	7	-	-	-
Soccodato Giovanni	Director	In charge up to 31.12.2010 financials approval	7	-	-	-
Tucci Maurizio	Director	In charge up to 31.12.2010 financials approval	7	-	-	-
Siciliotti Claudio	President of Bord of Auditors	In charge up to 31.12.2010 financials approval	30	-	-	-
Cignolini Michela	Statutory Auditor	In charge up to 31.12.2010 financials approval	20	-	-	-
Giuseppe Pingaro	Statutory Auditor from April 29, 2009	In charge up to 31.12.2010 financials approval	13	-	-	-
Rubatto Marco	Statutory Auditor up to April 29, 2009		7	-	-	-
<b>TOTAL</b>			<b>722</b>	<b>122</b>	<b>5</b>	<b>-</b>

Lastly, below 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 n. 11971/19 99 as subsequently amended and Annex 3C of the same regulation.

Name		December 31, 2009							
		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
Tecchioli 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	Director	Eurotech	Ownership	-	-	-	-	-	-
Soccodato Giovanni	Director	Eurotech	Ownership	-	-	-	-	-	-
Tucci Maurizio	Director	Eurotech	Ownership	-	-	-	-	-	-
Sicilotti Claudio	President of Board of Auditors	Eurotech	Ownership	20,000	-	-	-	20,000	10,000 (*)
Cignolini Michela	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-	-
Giuseppe Pingaro	Statutory Auditor from April 29, 2009	Eurotech	Ownership	-	-	-	-	-	-
Rubatto Marco	Statutory Auditor up to April 29, 2009	Eurotech	Ownership	-	-	-	-	-	-
Bulfo Raffaele	General Director	Eurotech	Ownership	-	-	-	-	-	-

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

### 33 - 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 agreement with Group policies, no speculative derivatives have been undertaken.

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. The Group has entered into collar contracts with an interest rate cap, and interest rate swap contracts that include recognition of a floating rate in favour of the Group against payment of a fixed rate. At the end of FY 2009, only interest rate swaps were outstanding. Both types of 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 2009, approximately half the loans of the parent company have a fixed rate (in 2008, the percentage was also 50%). As to the Japanese companies' loans, mainly fixed rate loans were outstanding, with fixed rates currently being cheaper than floating 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 coming both from business and financial operations, the Group's financial statements can be significantly affected by changes in the USD/EUR, JPY/EUR and GBP/EUR exchange rates. In FY 2009, no foreign exchange hedges were



executed because of the uneven USD, GBP and JPY flows especially considering that individual subsidiaries tend to operate in their respective core markets in their respective functional currencies.

Some 85.8% of the sale of goods and services and 74.9% of the costs of goods purchases and operating costs of the Group are denominated in a currency other than the functional currency used by the parent company for these consolidated 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. The maximum exposure to risk is described in Note 7. Receivables of the main customers are insured even if in FY 2009, the insurance companies have significantly reduced lines of credit to some customers.

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.

The figures given here do not consider the risk on liquidity caused by the failure to honour one of the loan covenants. Directors believe that there is little risk of the lenders demanding early repayment of the loans subject to these covenants due to the informal undertakings, but they might increase the interest rate by 0.5%. The schedules below represent the original due dates of the loans.

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

At 31 December 2009, 27.1% of Group financial payables will accrue within one year (2008: 19.0%), based on the balances of the original plans. These values differ from the financial statement balances since by virtue of informal agreements with lenders, the risk of early repayment is not believed to exist.

Considering the current net positive 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 cash risks by analysing a specific reporting system.

€ '000	Less 12 months	1 to 2 years	3 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	5,564	5,024	12,008	2,577	25,173
Trade payables and other liabilities	19,026	0	0	0	19,026
Business combination liabilities	10,428	989	0	0	11,417
Financial derivatives	77	80	241	60	458
Total as of December 31, 2009	35,095	6,093	12,249	2,637	56,074

### Capital management

The objective 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 in relation to the changes in the economic conditions. Currently, Group policy is not to distribute dividends. To maintain or upgrade the capital structure, the Group may reimburse capital or issue new securities.

No change was made to the objectives, policies, or procedures during the years 2008 and 2009.

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 the debt/capital ratio at between 20% and 40% (at 31 December 2009, the ratio was 8.7%). Net debt includes interest-bearing loans, and debts for investments in shareholdings, net of cash and equivalent instruments. Capital includes the capital attributable to parent company shareholders, net of undistributed net profits.

	at December 31, at December 31,	
(€'000)	2009	2008
Other current and non current financial assets	(747)	(719)
Derivative instruments	458	346
Borrowing	26,905	30,436
Debiti per acquisto partecipazioni	11,417	8,049
Cash & cash equivalents	(27,924)	(38,684)
<b>Net financial position</b>	<b>10,109</b>	<b>(572)</b>
Group Equity	116,896	134,059
<b>Group Equity</b>	<b>116,896</b>	<b>134,059</b>
<b>EQUITY AND NET FINANCIAL POSITION</b>	<b>127,005</b>	<b>133,487</b>
<i>Net financial position on Equity</i>	<i>8.6%</i>	<i>-0.4%</i>

### 34 – Financial instruments

#### Fair value

The book value and the fair value by category of all Group financial instruments booked in the financial statements do not show significant differences worth representing.

The fair value of derivatives and of loans obtained has been calculated by discounting expected cash flows to present value applying prevailing interest rates. The fair value of other financial assets has been calculated using market interest rates.

#### Interest rate risk

Interest on financial instruments classified at variable rates is recalculated periodically during the financial year. Interest on financial instruments classified at fixed rates is kept constant until the date of maturity of the instrument.

#### Hedging

##### Cash flow hedges

At 31 December 2009, the Group also held five IRS contracts (for a total of €10.4 million) signed in the last four years and designated as instruments to hedge the risk of interest rate changes.

	Due date	Fixed rate	Floating rate	Market value (€'000)
<i>Interest rate swap contracts</i>				
€ 4,500,000	30 June 2011	3,95%	Euribor 6 month	(147)
€ 5,945,838	31 December 2015	4,08%	Euribor 6 month	(311)

Interest rate swap contract conditions were negotiated to coincide with the conditions of the underlying commitments.

Accounting for the aforementioned financial instruments has led to a negative effect of €111 thousand for the financial year, recognised directly in reduction of shareholders' equity.

### ***35 - Events after the reporting period***

There were no events of note subsequent to the end of the financial year.

Amaro, 15 March 2010

On behalf of the Board of Directors  
Chairman  
Roberto Siagri



## Annex I - Information provided in accordance with Article 149-duodecims of the CONSOB Regulation for Issuers

The following schedule has been prepared in accordance with Article 149-n of the CONSOB Regulation for Issuers and shows the amounts paid in 2009 for auditing and other services provided by the independent auditing firm and entities that are a part of said firm's network.

(€000)	Service provider	Eurotech Group entity	2009 fees
<b>Audit</b>			
	Reconta Ernst & Young S.p.A.	Parent company - Eurotech S.p.A.	132,171
	Reconta Ernst & Young S.p.A.	Subsidiaries	30,423
	Ernst & Young Network	Subsidiaries	362,034
<b>Attestation</b>			
	Reconta Ernst & Young S.p.A.	Parent company - Eurotech S.p.A.	-
	Reconta Ernst & Young S.p.A.	Subsidiaries	-
	Ernst & Young Network	Subsidiaries	-
<b>Tax consultant</b>			
	Reconta Ernst & Young S.p.A.	Parent company - Eurotech S.p.A.	12,551
	Ernst & Young Network	Parent company - Eurotech S.p.A.	-
	Reconta Ernst & Young S.p.A.	Subsidiaries	-
	Ernst & Young Network	Subsidiaries	8,634
<b>Other services</b>			
	Reconta Ernst & Young S.p.A.	Parent company - Eurotech S.p.A.	-
	Ernst & Young Network	Parent company - Eurotech S.p.A.	-
	Reconta Ernst & Young S.p.A.	Subsidiaries	-
	Ernst & Young Network	Subsidiaries (1)	33,998
<b>TOTAL</b>			<b>579,811</b>

(1) Services related to Transfer Pricing

## Attestation in respect of the Consolidated Financial Statements under Article 154-bis of Legislative Decree 24.02.1998, n. 58

Amaro, March 15th 2010

1. The undersigned Roberto Siagri in his capacity as the Chief Executive Officer of the Company, and Sandro Barazza as the executive officer responsible for the preparation of the Eurotech S.p.A.'s financial statements, pursuant to the provisions of Article 154-bis, clauses 3 and 4, of the Legislative Decree no. 58 of 1998, hereby attest:
  - the adequacy with respect to the Company structure, and
  - the effective application, of the administrative and accounting procedures applied in the preparation of the Company's consolidated financial statements at 31 December 2009.
2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the consolidated financial statements at 31 December 2009 was based on a process defined by Eurotech in accordance with the *CoSo framework* (documented in the *CoSo Report*) and with the *Internal Control over Financial Reporting – Guidance for Smaller Public Companies* both models issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, an internationally-accepted reference framework.
3. The undersigned moreover attest that:
  - 3.1 the consolidated financial statements at 31 December 2009:
    - have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19 July 2002 as implemented in Italy by Article 9 of Legislative Decree n. 38 of 2005;
    - correspond to the amounts shown in the Company's accounts, books and records; and
    - provide a fair and correct representation of the financial conditions, results of the operations and cash flows of the Company and its consolidated subsidiaries as of 31 December 2009 and for the year then ended.
  - 3.2 the report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

Chief Executive Officer

F.to Roberto Siagri

Executive officer responsible for the preparation of the  
Company's financial statements  
F.to Sandro Barazza



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**Relazione della società di revisione  
ai sensi dell'art. 156 del D. Lgs. 24.2.1998, n. 58**

Agli Azionisti della  
EUROTECH S.p.A.

1. Abbiamo svolto la revisione contabile del bilancio consolidato costituito dalla situazione patrimoniale-finanziaria, dal conto economico complessivo, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario e dalle relative note esplicative, della EUROTECH S.p.A. e sue controllate ("Gruppo EUROTECH") chiuso al 31 dicembre 2009. La responsabilità della redazione del bilancio in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. n. 38/2005, compete agli amministratori della EUROTECH S.p.A.. E' nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile.
2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla Consob. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio consolidato sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

Per il giudizio relativo al bilancio consolidato dell'esercizio precedente, i cui dati presentati ai fini comparativi sono stati riesposti per tener conto delle modifiche agli schemi di bilancio introdotte dallo IAS 1, si fa riferimento alla relazione da noi emessa in data 31 marzo 2009.

3. A nostro giudizio, il bilancio consolidato del Gruppo EUROTECH al 31 dicembre 2009 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. n. 38/2005; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico ed i flussi di cassa del Gruppo EUROTECH per l'esercizio chiuso a tale data.
4. La responsabilità della redazione della relazione sulla gestione in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli amministratori della EUROTECH S.p.A.. E' di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione e della specifica sezione sul governo societario e gli assetti proprietari, limitatamente alle informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D. Lgs. 58/98, con il bilancio, come richiesto dalla legge. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla Consob. A nostro giudizio la relazione sulla gestione e le informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D. Lgs. 58/98 presentate nella specifica sezione della medesima relazione sono coerenti con il bilancio consolidato della EUROTECH S.p.A. al 31 dicembre 2009.

Treviso, 31 marzo 2010

Reconta Ernst & Young S.p.A.

Claudio Passelli  
(Socio)

Reconta Ernst & Young S.p.A.  
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