EUROTECH

ANNUAL REPORT 2008

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www.eurotech.com

"This document has been translated into English for the convenience of readers outside Italy.
The original Italian document should be considered the authoritative version."

EUROTECH S.p.A.
Registered office in Via Fratelli Solari 3/a, Amaro (UD)
Share capital: EUR 8,878,946 fully paid in
Tax code and Udine companies register no. 01791330309

ANNUAL REPORT
2008

EUROTECH

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Dear Shareholders,

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

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

We began the year by preparing the ground for major consolidation of the Group structure, and of US subsidiaries in particular: the merger of ADS with Arcom to create Eurotech Inc. This operation was announced in April at the Embedded Systems Conference in California, then finalised in July. On one hand, the formation of Eurotech Inc represents a key step in establishing the Eurotech brand at international level, and on the other, it has allowed us to harmonise the processes of American operations and implement valuable synergies, with a positive impact on structure costs and consequently on margins. Following up this operation we decided to use a single "Eurotech" brand in all the sectors of the North American market other than defence and consequently to dismiss the ADS and Arcom brands. We chose then to write down the residual value posted for these brands, with a reduction in amortization of €10.8 million.
The second significant event of the year was the signing of the co-marketing agreement with Intel for the joint promotion of Aurora, our new generation of HPCs (High Performance Computing) based on the new multicore Intel Xeon® series processors with high performances and low power consumption. With this new generation of supercomputers (available for deliveries from the second half of 2009) we expect a lot of interest and important returns, thanks also to the excellent price/performance ratio that our technicians have been able to obtain.
On the low-power Intel Atom™ series processors we based the development of our new embedded modules named Catalyst and Proteus, born to address the growing demand of Mobile Internet Devices (MID) in the application fields in which we act. We began to sell these new products in the second half of 2008, gaining very positive feedback from the market and the award from Intel as company with the best pipeline of design-opportunities in the embedded market.

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

Roberto Siagri,
President and CEO

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

The year closed with consolidated turnover of € 91.7 million, in line with our latest forecasts. The Gross Margin stood at 55%, an increase in comparison with 49.8% in 2007, thanks to the combined effect of the business model based on the sale of high value products and the good work carried out in integrating and harmonising the management processes of purchased materials among all the Group's subsidiaries. Group Ebitda too increased considerably in 2008: despite some non recurrent cost components, Ebitda was recorded at 6.5% of consolidated revenues for the year,

compared to 2.5% in 2007. Net of non recurrent components and the non monetary effects of price allocation, adjusted EBITDA stood at 8.5%. The index was impacted by the improvement of the gross profit margin and also by the minor operating costs, particularly as a result of synergies implemented in the United States with the creation of Eurotech Inc.
As proof of the fact that the Group, as a whole, reached a high level of efficiency, during the course of 2008, operating activities generated a positive cash flow of more than € 6 million.

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

In regard to the embedded computers market, we can expect an almost unavoidably concentration phase and a reduction in the number of players, with the consequent creation of wider spaces to move. Regarding HPCs, we expect new kinds of use and hence a broader diffusion in medical and industrial fields. In short, a broader use of supercomputers, due to the new performance levels achieved by products like Aurora in terms of consumption, size and price.
As a global company we see many opportunities in this climate to expand our market presence, consolidate our brand strength and reinforce our position in the condensed group of leading players.

We have cash & cash equivalents, we generate cash and are therefore able to sustain our growth in a harmonic and secure way. In such a historical moment, when many will be forced to reduce investments in research and innovation, we – thanks to a well-established, careful and prudent model of innovation management – will be able to continue our forward-looking investments without losing sight of the present. Therefore we won't passively sit and wait for events to happen: on the contrary we'll try to take advantage of this moments acting countertrend, with an offensive tactic instead of a defensive one.
Moreover, in the current scenario our financial stability is increasingly becoming a key factor to be able to support in the best possible way our customers and partners in projects and supplies with multi-year duration and/or significant value.

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

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

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

in the dominant paradigm both in industry and services. Everything surrounding us will have to become more "intelligent" and "interconnected", in order to be better managed and better used, with an increase of efficiency and a reduction of wastes.

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

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

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

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

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

March 16th 2009

(Signerd by)
Roberto Siagri
Presidente & CEO

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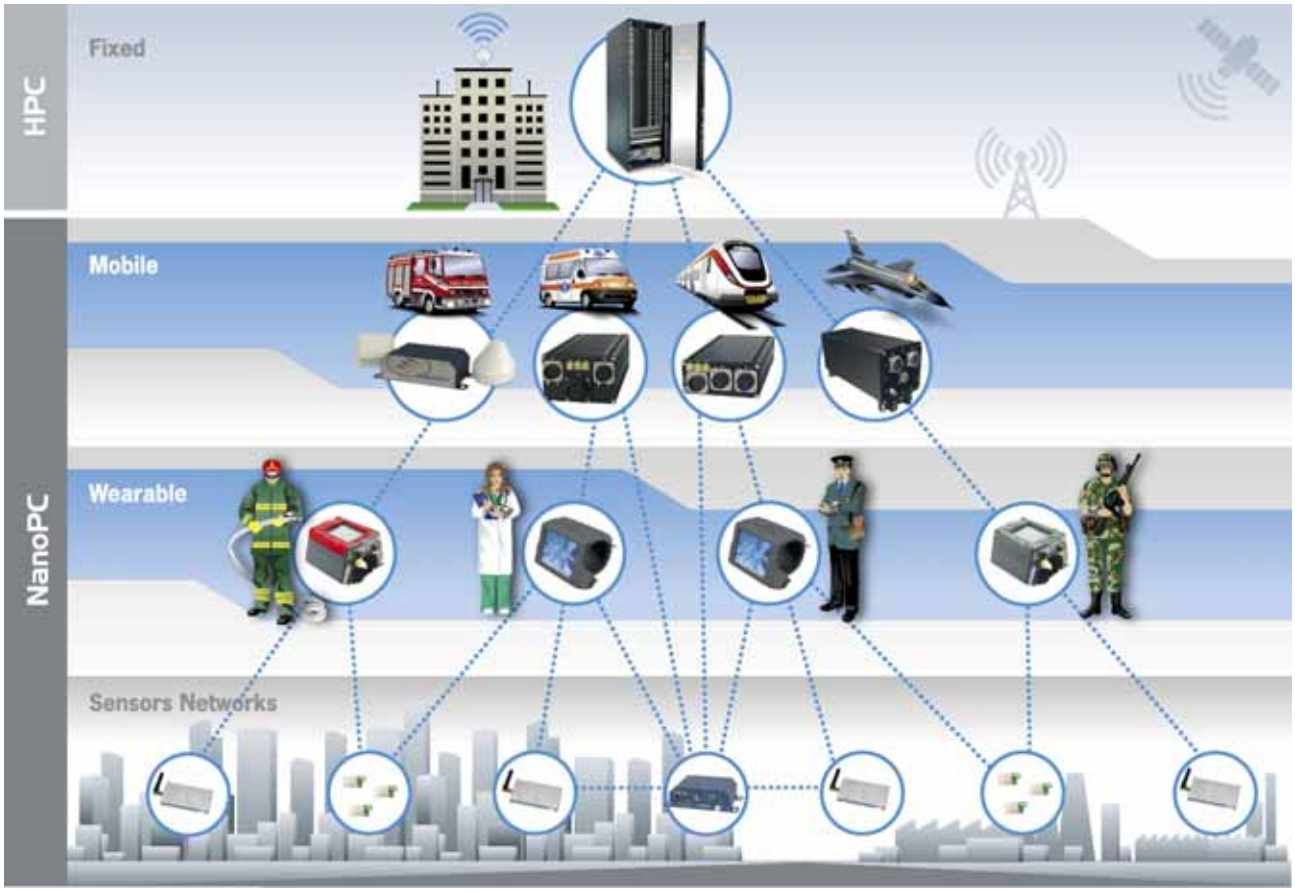
ANNUAL REPORT

at 31 december 2008

EUROTECH

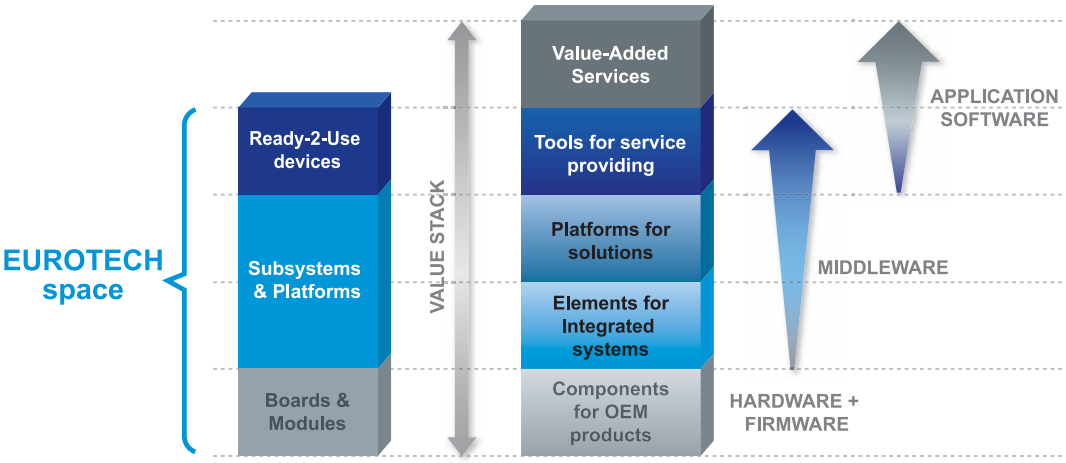
Getting to know Eurotech

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 GRID" or "pervasive computing grid".



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 installed in industrial machines
- an application-ready system or platform to be installed on vehicles such as trains, airplanes and buses
- ready-2-use devices to be 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, aerospace, 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 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.

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.

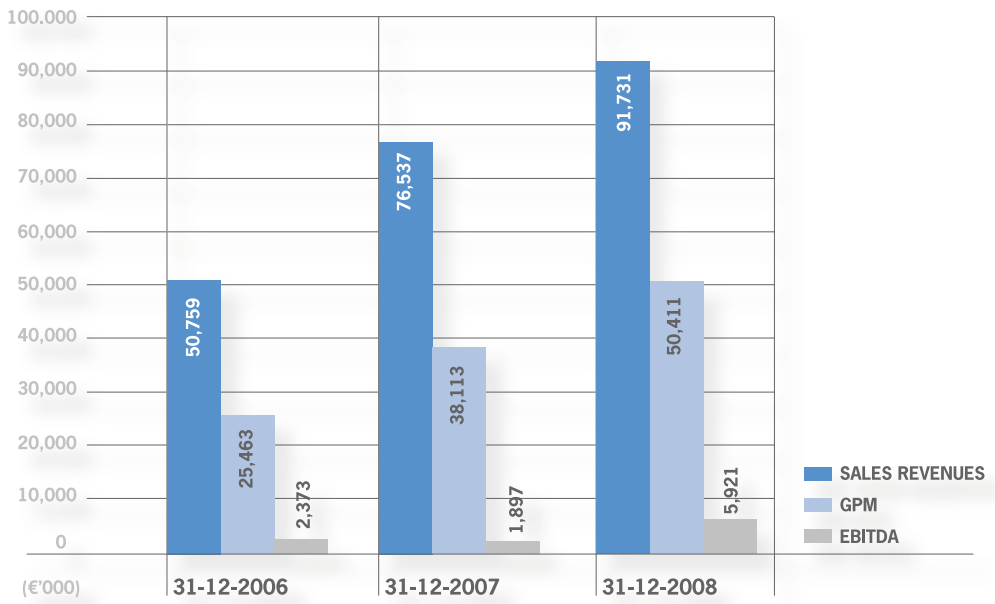
The Eurotech Group in figures

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

OPERATING RESULTS *(€'000)*	FY2006	%	FY2007	%	FY2008	%
SALES REVENUES	50,759	100.0%	76,537	100.0%	91,731	100.0%
GROSS PROFIT	25,463	50.2%	38,113	49.8%	50,411	55.0%
EBITDA	2,373	4.7%	1,897	2.5%	5,921	6.5%
EBIT (*)	(336)	-0.7%	(4,114)	-5.4%	(13,524)	-14.7%
PROFIT (LOSS) BEFORE TAXES	1,911	3.8%	(4,159)	-5.4%	(15,679)	-17.1%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	572	1.1%	(4,922)	-6.4%	(12,708)	-13.9%

(*) 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.



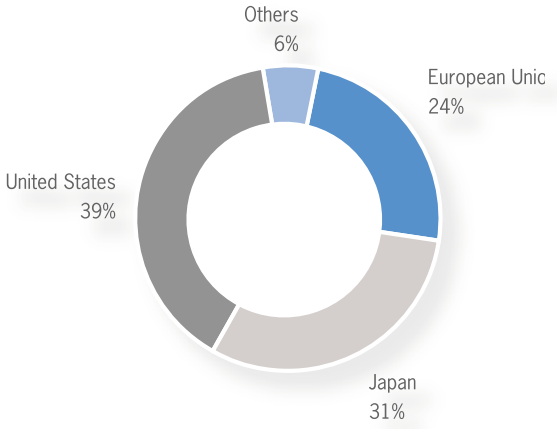
Revenues breakdown by business segment

	NanoPC			High Performance Computer			Total		
(€'000)	FY2007	FY 2008	% YoY Change	FY2007	FY 2008	% YoY Change	FY2007	FY 2008	% YoY Change
Sales revenues	74,385	91,413	22.9%	2,152	318	-85.2%	76,537	91,731	19.9%

SALES BY BUSINESS SEGMENT	FY2005	%	FY2006	%	FY2007	%	FY 2008	%
NanoPC	23,671	79.3%	46,109	90.8%	74,385	97.2%	91,413	99.7%
High Perf. Computer	6,180	20.7%	4,650	9.2%	2,152	2.8%	318	0.3%
TOTALE SALES AND SERVICE REVENUE	**29,851**	**100.0%**	**50,759**	**100.0%**	**76,537**	**100.0%**	**91,731**	**100.0%**

Sales volumes in the High Performance Computer business segment are impacted by its highly cyclical nature. In fact, the business cycle hit bottom in 2008, which explains the scant contribution made by HPC to 2008 Group revenues.

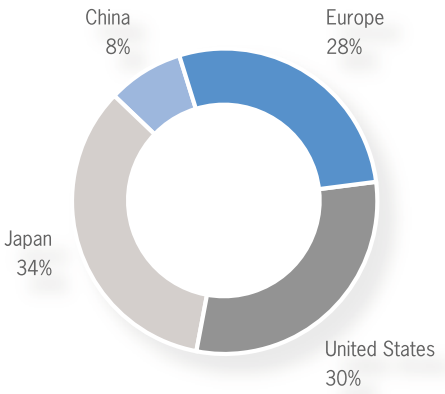
FY2008 sales revenues breakdown by geographical area



Group employees

	FY2006	FY2007	FY2008
EMPLOYEES	286	624	586

FY2008 geographical breakdown of employees



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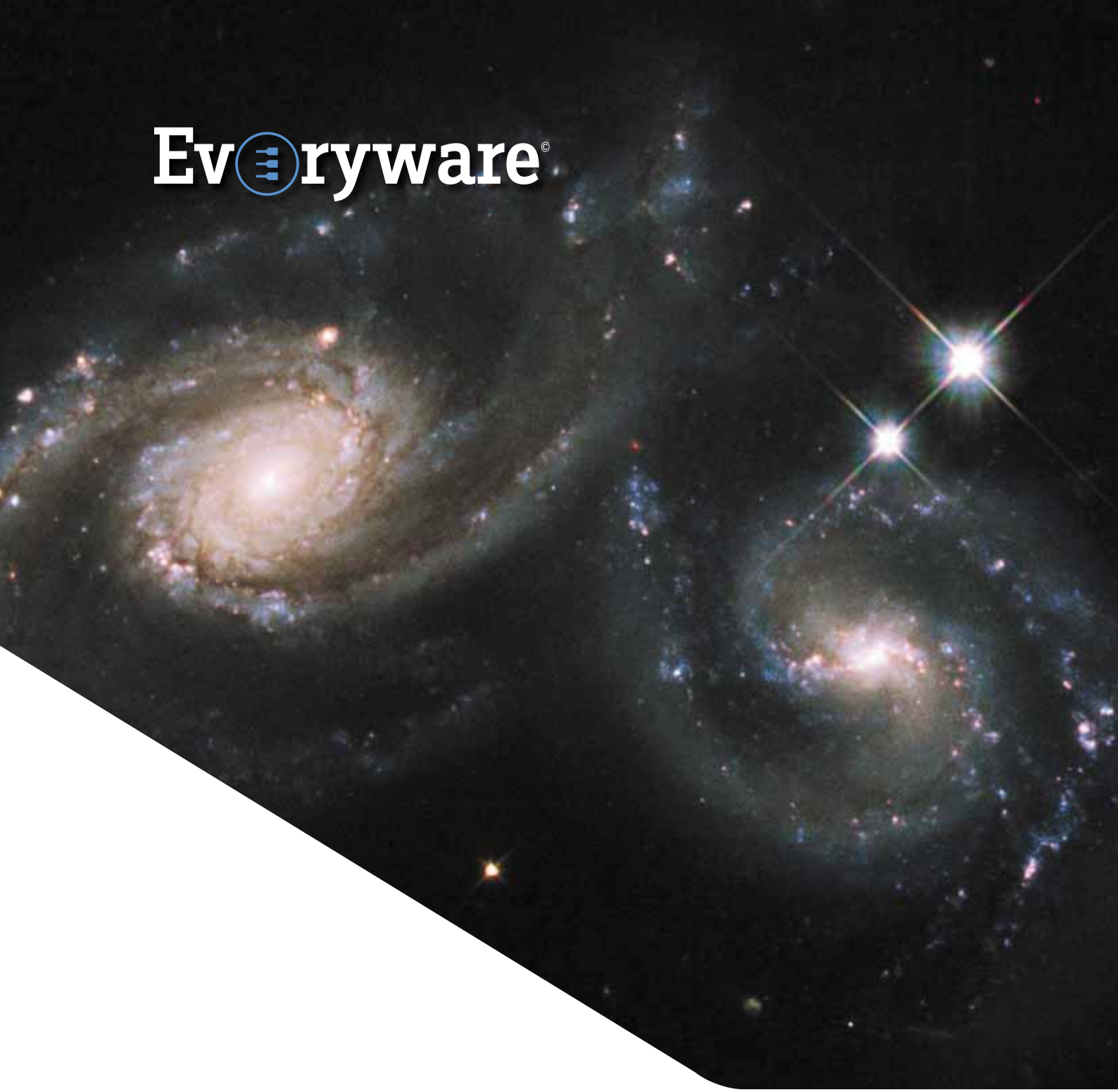

MILESTONES IN OUR HISTORY

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.

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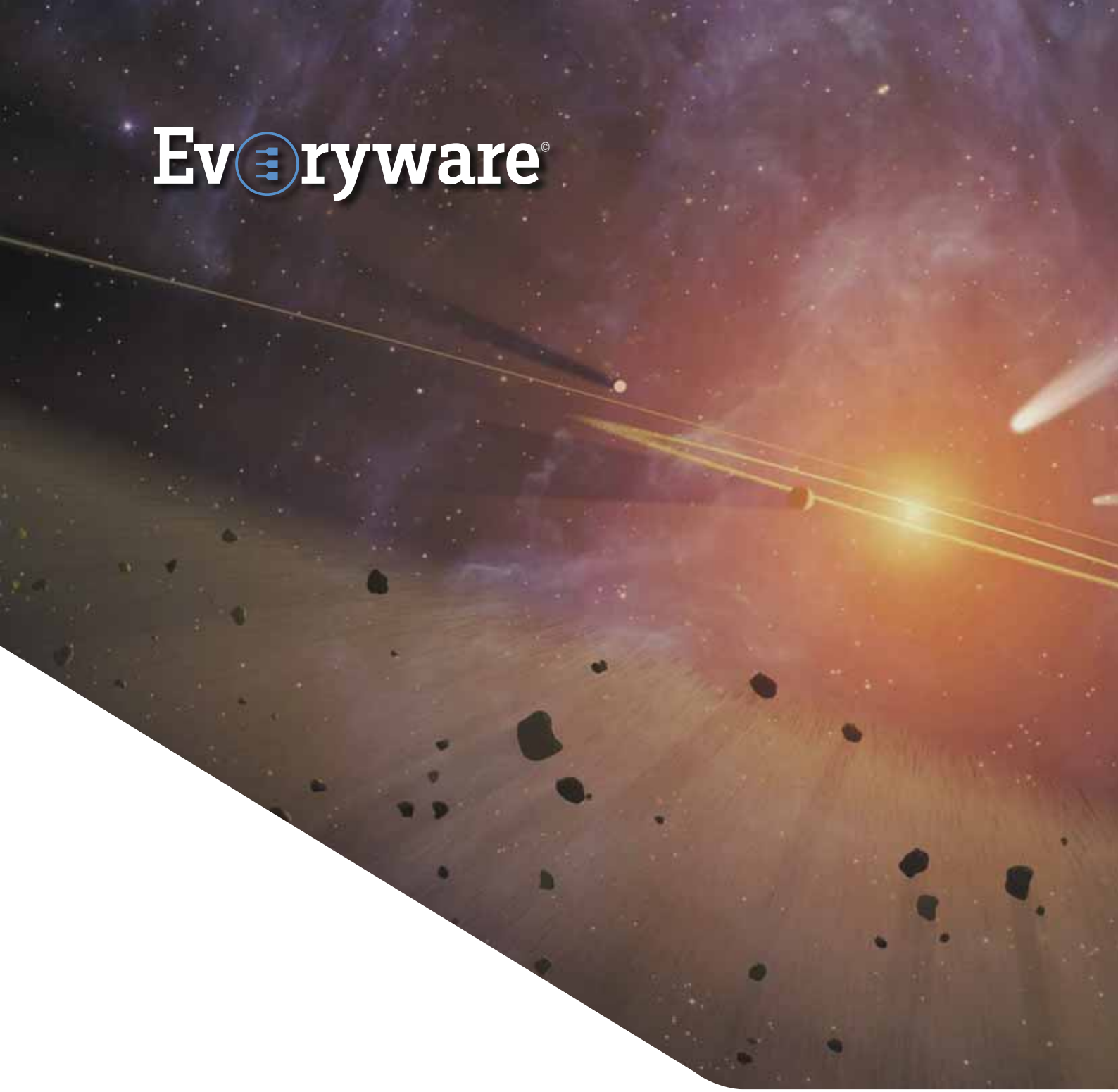

SIGNIFICANT EVENTS IN 2008

January

The Parvus RiderNet is used in the first United States project for wireless internet access on-board trains.
The MBTA – Massachusetts Bay Transport Authority – choose RiderNet, the third generation of Eurotech Group solutions for Wi-Fi internet connections on public transport for the pilot "Wi-Fi Commuter Rail Connect Program". This programme aims to provide free wireless internet access on all routes between Worcester and Boston, covering an area of 45 miles. "This is the first such service on a regional train service in the United States and will enable our passengers to optimise their time," said Daniel A. Grabauskas, General Manager of MTBA.

February

Zypad, the wrist-worn computer, is chosen for automation of warehouses in the mass distribution sector.
Following an agreement signed with the American company ProCat Management Service, Eurotech's wearable computer is chosen as the basis for PickRight, the solution developed by ProCat to streamline product picking processes in large distribution centres.
By combining the Zypad with the ring scanner, a bar code reader worn on the finger, the customer order registration process can be automated and made "hands-free." For ProCat, this solution permits streamlining of warehouse logistics, eliminating margins of error and reducing costs. "We are truly satisfied with the functions offered by Zypad. We have developed a unique solution. Zypad was a real find for us," said Dave Copestick, Chairman of ProCat.

Janus, the new generation of supercomputers, is officially unveiled in Trento
Janus is presented at the prestigious European Centre for Theoretical Studies in Nuclear Physics and Related Areas (ECT) in Trento. This supercomputer has been designed by a pool of Italian and Spanish researchers and built by Eurotech in laboratories at its Ethlab research centre in Trento, exploiting Eurotech's years of experience in the design and fabrication of supercomputers designed specifically for scientific computing purposes. Participating in the presentation of the Janus project is Giorgio Parisi, one of the most important figures on the international scientific scene, as testified by the "2007 Microsoft European Science Award" recently awarded to him by the Royal Society of England and the Académie des Sciences in Paris for his contributions to the spread and development of computer science in Europe.
JANUS is now the smallest, fastest and most energy efficient supercomputer in performing the specific computing functions for which it was designed. The first complete system will be installed at the Department of BIFI in Spain and will perform simulations of the fundamental properties of matter.

April

The innovative Catalyst module is born, based on the brand new Intel® Atom™ processor.
The size of a playing card, the Catalyst module sets a record in the segment of embedded boards based on the Intel® Atom™ processor, with a typical power consumption of about 3W and peak consumption of less than 5W. It offers tangible proof of how Eurotech has managed to exploit the technology of new Intel® processors to create an embedded platform that can combine high performance and limited consumption.

Eurotech announces at the Embedded System Conference that its United States subsidiaries Applied Data Systems and Arcom will merge in a single company: Eurotech Inc.

Eurotech Inc is a key step in the process of integration of the Eurotech Group after the major acquisitions carried out over the last few years. Conceived to become the Eurotech Group's first sales channel for all products targeting the American market, Eurotech Inc. will offer all the systems produced by the Group, from embedded boards to complete systems, from sensors to HPCs (High Performance Computers). Eurotech Inc. will target the transport, medical, military and industrial markets.

May

Appointment of new Board of Directors and Board of Statutory Auditors
After approving the Statutory Financial Statements at 31 December 2007 and the 2007 Consolidated Financial Statements, the Annual General Meeting appoints the new Board of Directors and Board of Statutory Auditors, whose term will expire upon approval of the Annual Report for the financial year ending on 31 December 2010.

Finmeccanica approves purchase of 11.1% of Eurotech
The Finmeccanica Board of Directors approves the acquisition of about 11.1% of Eurotech stock from several of its founding shareholders (Dino Feragotto, Roberto Chiandussi and Giorgio Pezzulli) at a price of Euro 4.60 per share. Its acquisition of the equity stake in Eurotech will reinforce the strategic partnership initiated in July 2006 through a commercial and scientific co-operation agreement.
It will also permit further intensification of existing relations between the two Groups, exploiting the progress made by Eurotech in the development of innovative products and significant growth in new geographical areas of strategic importance to Finmeccanica, such as the United States and Japan.
However, this deal is subject to approval by regulatory authorities.

Eurotech and Intel initiate joint venture to develop HPC systems
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, calls for the two companies to work together to develop HPC (High Performance Computing) systems based on Intel processors that will satisfy the computing requirements coming from medical, industrial and scientific fields.

Appointment of new Corporate Financial Reporting Manager
The Board of Directors appointes Dr Sandro Barazza as Corporate Financial Reporting Manager.

June

Microsoft Windows CE 6.0 certification received by Eurotech software developers
Five software developers on the Eurotech software team working in the pervasive computing business unit based on Microsoft Windows Embedded technologies receive the "Microsoft Certified Technology Specialist: Windows Embedded CE 6.0 Developer" certification. For Eurotech customers, "Microsoft Certified Technology Specialist" (MCTS) certification offers proof that all of their projects enjoy qualified, first-class support.

July

Appointment of new General Manager for Italy
Mr Raffaele Bulfoni, who has worked at the Group since 2003 in the Marketing, Sales and Business

Development Departments, succeeds Dino Feragotto as General Manager of Eurotech Italia.

Successful completion of merger of the American companies Arcom and ADS with Eurotech Inc.
On 1 July Eurotech announces completion of the merger of its American subsidiaries Arcom and ADS. Mr 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 President and Chief Technology Officer.

Eurotech's wearable technology permits the first applications for remote assistance for senior citizens
The Zypad wrist-worn 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. Every patient is provided with a ZTag pendant containing all the basic information on his or her clinical chart – the personal identification data contained on the Italian National Health Service card for registration and recognition, blood type, allergies and all other information useful to medical personnel when they provide care. The pendants communicate directly with the wearable PC Zypad worn by the health-care worker, who can directly access the patient's data on his wrist-worn device. The Zypad can also transfer these data via wireless technology to the local Health District Office and from there to national databases.

August

Co-optation of Director and appointment of new Investor Relator
The Eurotech Board of Directors takes note of Vice-President Massimo Mauri's resignation and co-optes Dr Sandro Barazza - Eurotech Group CFO, Corporate Financial Reporting Manager and member of the Board of Directors of several foreign subsidiaries - to fill Mauri's Director seat.
The Board also appointes Dr Andrea Barbaro as Investor Relator and Disclosure Relator, posts previously held by Dr Mauri. Dr Barbaro has assisted the President with strategic planning since the beginning of 2008.

October

Reinforcement of focus on transport market for the American subsidiary Eurotech Inc.
Eurotech Inc. acquires responsibility of the transport sector in the United States, taking over all the accumulated experience of Parvus, the Group's other American subsidiary. With this transition, Eurotech Inc. implements a targeted strategy in the sector, and Parvus consolidates its focus on its target markets, defence and security. The reinforced strategic focus of Eurotech Inc. on transport is perfectly consistent with Eurotech's historic presence in this market segment. Eurotech has extensive experience in the Italian and European transport sector.

Launch of share buyback programme
Pursuant to Article 144-bis of Consob Regulation no. 11971/1999, as amended, Eurotech S.p.A. announces its intention to launch the share buyback programme in accordance with the terms authorised by the Ordinary Shareholders' Meeting of 7 May 2007. In accordance with the limits imposed by the Shareholders' Meeting, the Board of Directors resolves to buy back a maximum of 700,000 ordinary shares (1.97% of the share capital) through 7 November 2008.

Orders for USD 7.1 million from major American defence contractor
Eurotech receives a USD 5 million order on top of the USD 2.1 million contract received in September to supply communication devices to a prime defence contractor in the United States.
These orders confirm the non-cyclical nature of the defence sector, notwithstanding the general economic crisis, and underscore Eurotech's major role in this sector.

November

Finmeccanica completes acquisition of 11.1% of Eurotech stock
Pursuant to the 12 May 2008 resolution by the Board of Directors and agreements reached with several of Eurotech's founding shareholders, Finmeccanica completes acquisition of an 11.1% equity stake in Eurotech at a price of Euro 4.60 per share. After the outgoing shareholders Dino Feragotto, Roberto Chiandussi and Giorgio Pezzulli resigne as Eurotech directors, the Eurotech Board of Directors co-optes the following three new directors: Filippo Bagnato, Giovanni Soccodato and Maurizio Tucci.

Conclusion of share buyback programme
Eurotech announces the conclusion of its share buyback programme. At the conclusion of this Programme, 413,840 ordinary shares have been purchased on the regulated market, for a total investment of Euro 1,295,450.17. At the end of the Programme, Eurotech S.p.A. ownes a total of 420,140 treasury shares, or 1.1830% of its share capital.

Eurotech receives the 2008 award of excellence for the best "Growth in co-selling of Intel® Atom™" from Intel®
At the ceremony held for the Business Connections Award given by the Embedded Communications Alliance (ECA), Eurotech receives the 2008 Award of 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.

New stimulus for expansion on the Chinese market
The company approves a plan to expand its Chinese affiliate company, Vantron, located in Chengdu in Sichuan Province. The aim of this decision is to give Vantron, a development centre with about 45 staff engineers, its own marketing and sales organisation to serve the domestic market, in order to increase the Group's ability to develop the embedded computer market in China.

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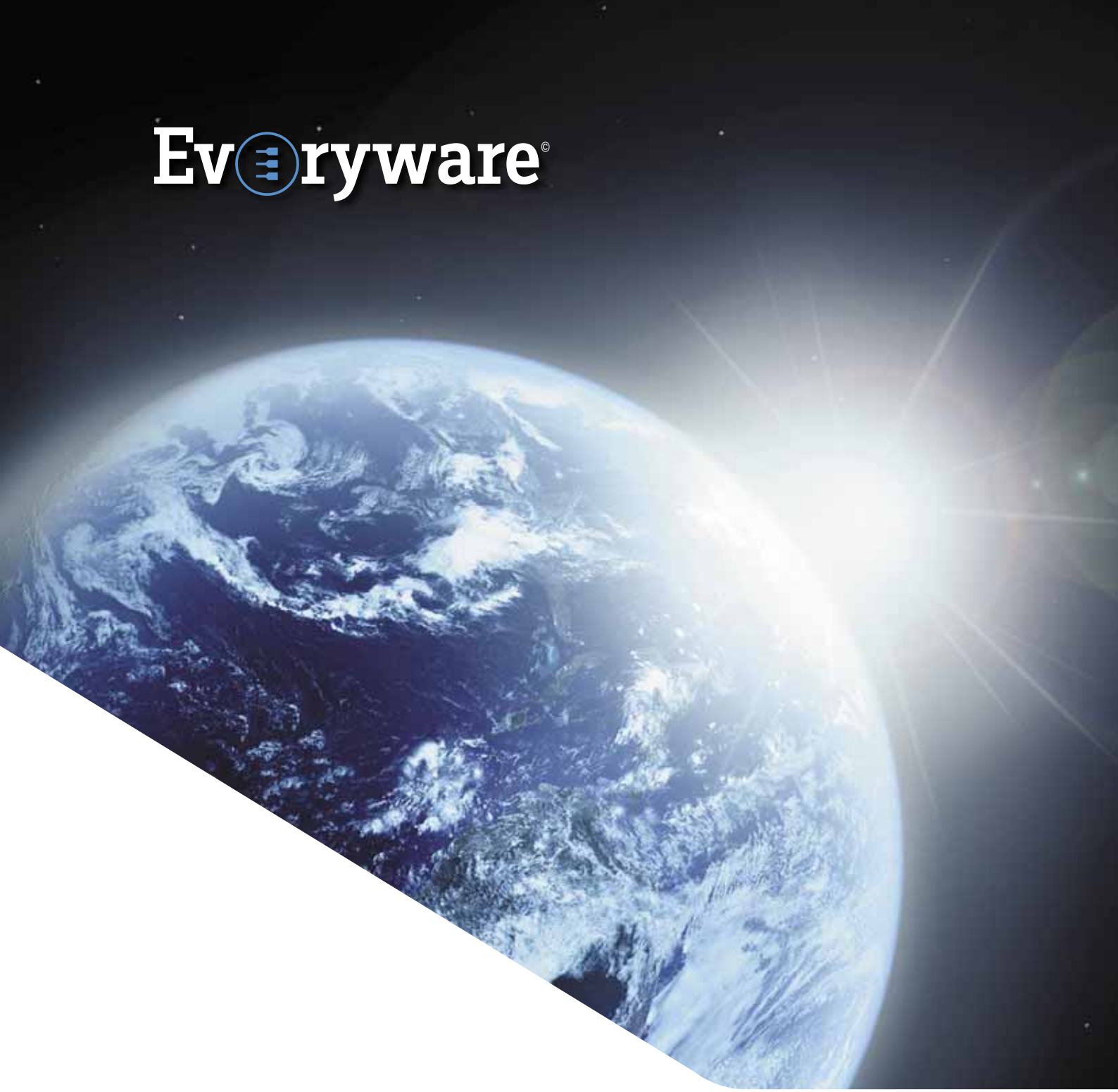
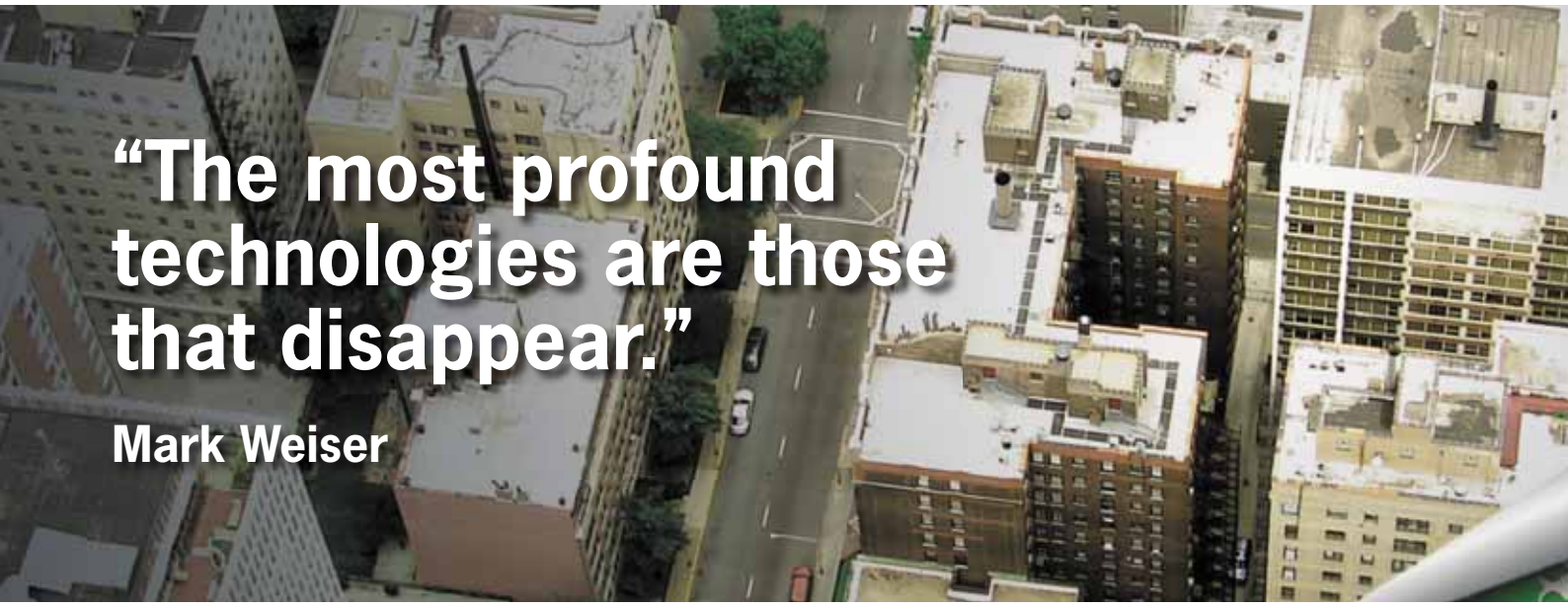


VISION

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.



"The most profound technologies are those that disappear."

Mark Weiser

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)

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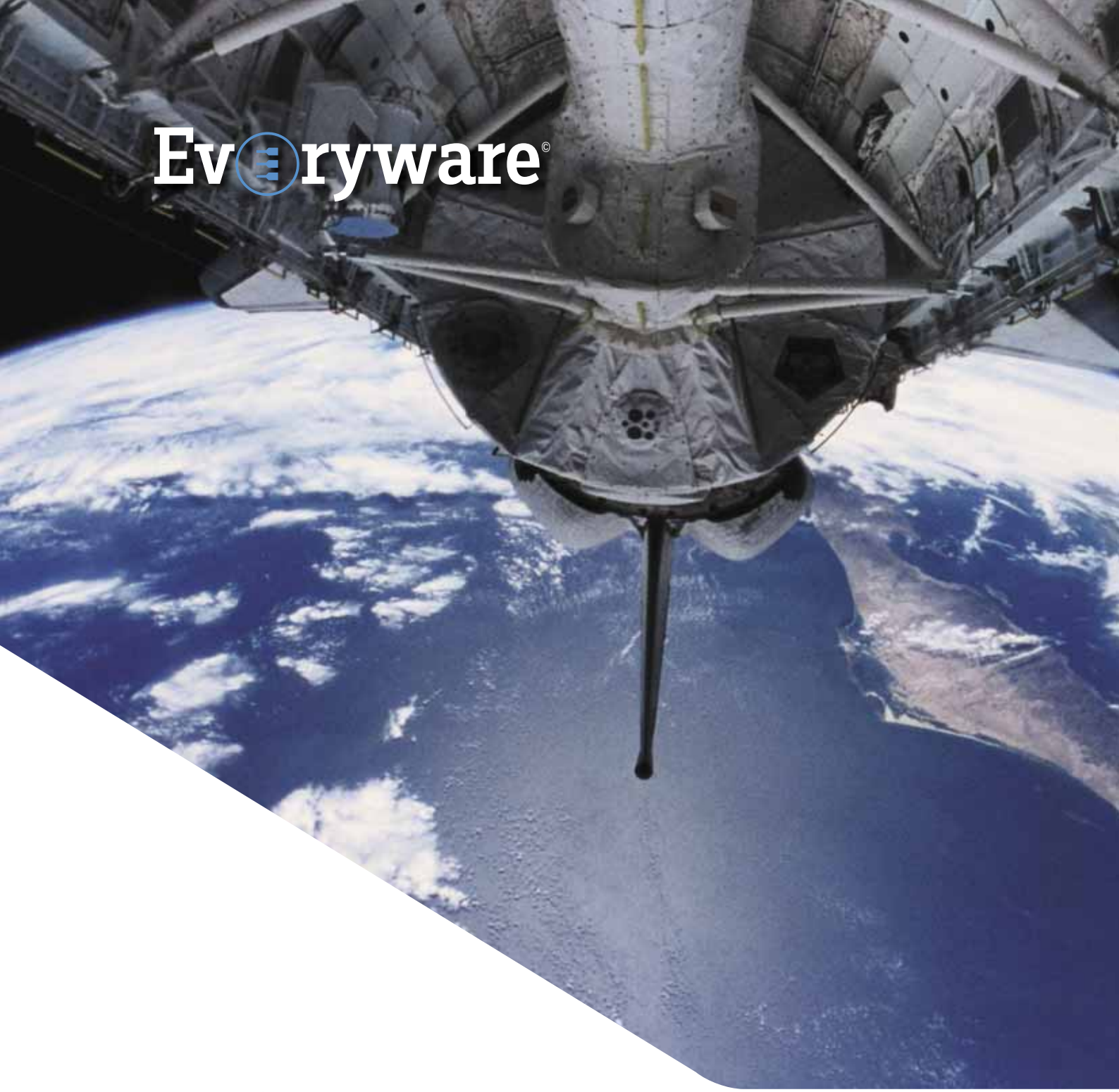

Everyware©

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.

The pervasiveness and ubiquity of miniaturised and interconnected computers means that it is no longer a question of computers – in terms or 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.

"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.

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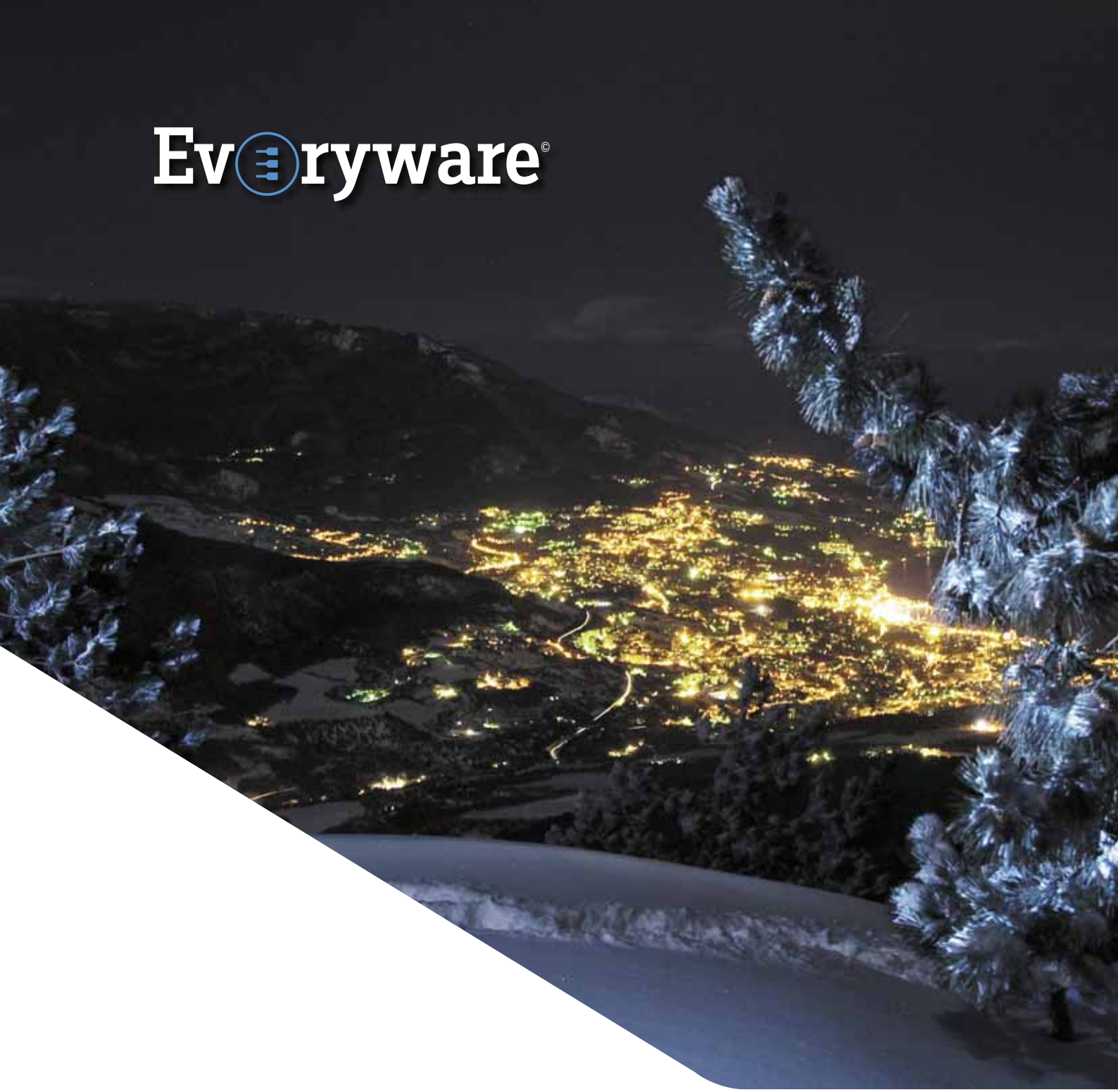

VALUES

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.

"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

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.

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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 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 the main typical fixed assets, such as production equipment or property assets (this was true until the acquisition of Advanet in 2007). 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 but significant amount of production capacity, which, however, does not exceed 20% of total capacity.
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 related 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-2-use (R2U) devices.

A further effect of the increasing integration of systems is the changed perspective of man/machine interaction. Whilst in the beginning, the low degree of integration led to the focus being on machines, today it is possible to focus on the needs and necessities of man. In other words, it is necessary to create systems and interfaces enabling man not to notice interaction (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 surroundings and the user's personal space but that, 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. It can be stimulated and motivated to create major growth opportunities, which make us look ahead to our future confidently and with optimism.

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, 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%. In 2008 the company has achieved a size that is 12.5 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.

Today 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 Euortech 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 able to benefit more than boards and systems from the specific characteristics of the indirect channel.

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

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PRODUCTS

The essence of Eurotech products

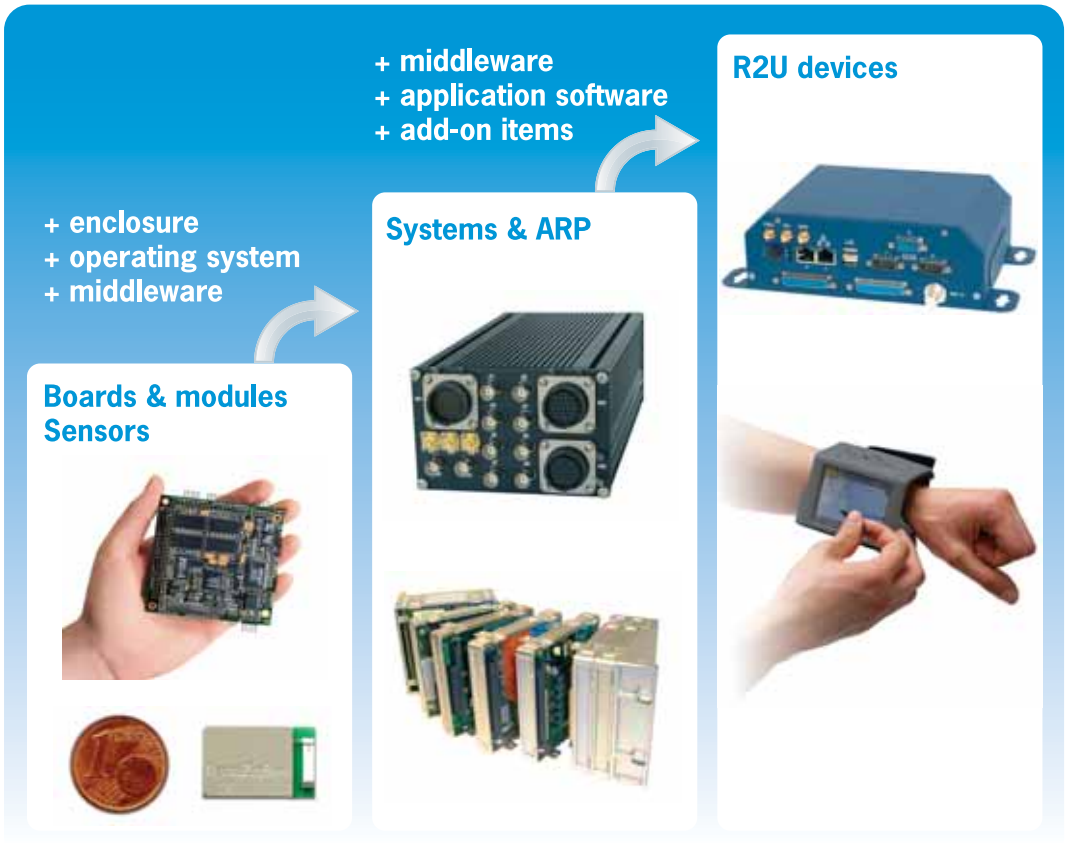
Embedded technology is the basic technology of Eurotech projects. It is an enabling technology, in that it permits miniaturisation. It is the technology on which Eurotech based its foundation and that continues to be in the Group's DNA.

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 way 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.

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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, and Bluetooth, 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.

Applications

The Eurotech Group's **NanoPC** offering is structured in three lines of products and solutions, each dedicated to a specific market segment:

- **TMS:** Transportation, Mobility & Surveillance, focusing mainly on mobile devices
- **ICN:** Industrial, Commercial & Networking, focusing mainly on stationary devices
- **DSA:** Defence, Security & Aerospace, focusing mainly on rugged devices.

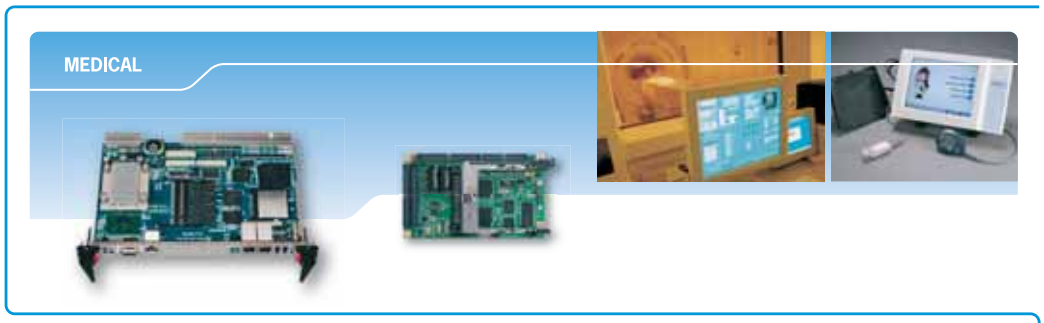
Within these three lines, Eurotech products and solutions are employed in many specific application environments, both conventional and emerging. Here are some examples:

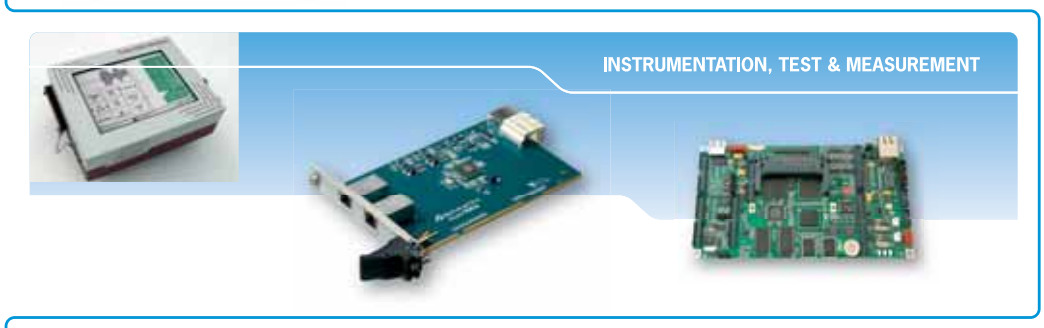
MASS TRANSPORTATION

LOGISTICS

MACHINE AUTOMATION

PROCESS CONTROL





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.

(pictures of Eurotech's HPC)

CORPORATE INFORMATION

Board of Directors

Chairman	Roberto Siagri
Executive Vice President	Giampietro Tecchiolli
Director	Filippo Bagnato [1 6]
Director	Giovanni Soccodato [1 6]
Director	Maurizio Tucci [1 6]
Director	Sandro Barazza [1 5 7]
Director	Chiara Mio [1 2 4]
Director	Alberto Felice De Toni [1 2 3 4]
Director	Cesare Pizzul [1 2 4]

The Board of Directors currently holding office (after co-opting a member on 8 August 2008 and other three on 14 November 2008), was appointed by shareholders at the Annual General Meeting on 5 May 2008 and will remain in office until shareholder approval of the Annual Report for the financial year ending on 31 December 2010.

Board of Statutory Auditors

President	Claudio Siciliotti
Statutory auditor	Michela Cignolini [8]
Statutory auditor	Marco Rubatto [8]

The Board of Statutory Auditors currently holding office (after the resignation of 2 Statutory Auditors who tendered their resignations due to having exceeded the limits on total allowable assignments) was appointed by shareholders at the Annual General Meeting on 5 May 2008 and will remain in office until shareholder approval of the Annual 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 3- 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)
Iscrizione al registro delle Imprese di Udine 01791330309

1 Non-executive directors.
1 Independent directors pursuant to the Corporate Governance Code issued by the Italian Corporate Governance Committee for Listed Companies.
3 Lead independent Director.
4 Member of the Remuneration Committee and of the Internal Control Committee.
5 Co-opted on 8 August 2008 and in office until the next shareholders' meeting
6 Co-opted on 14 November 2008 and in office until the next shareholders' meeting
7 Financial Reporting Manager as of 29 May 2008.
8 On 29 August 2008, the substitute auditors appointed in the Annual General meeting on 5 May 2008 replaced Statutory auditors Nicolino Cavalluzzo and Lorenzo Ginisio, who tendered their resignations due to having exceeded the limits on total allowable assignments, pursuant to Article 144-terdecies of the CONSOB Issuers' Regulation. Remain in office until the next shareholders' meeting.

INFORMATION FOR SHAREHOLDERS

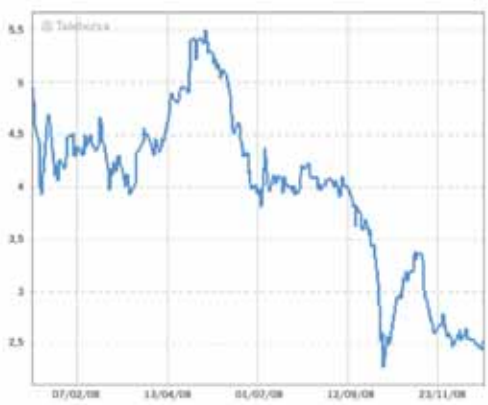
The ordinary shares of Eurotech SpA, the parent company of the Eurotech Group, have been listed on the market of the Milan Bourse in the STAR segment since 30 November 2005.

Share capital of Eurotech SpA as at 31 December 2008

Share capital	Euro	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 2008)	Euro	93 milioni
Stock market capitalisation (based on official reference price on 30 December 2008)	Euro	91 milioni

Performance of Eurotech SpA shares

Absolute performance of EUROTECH SpA shares 01.01.2008 – 31.12.2008



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

Everyware©

REPORT ON OPERATIONS

Introduction

The economic financial results of the Eurotech Group for the year 2008 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

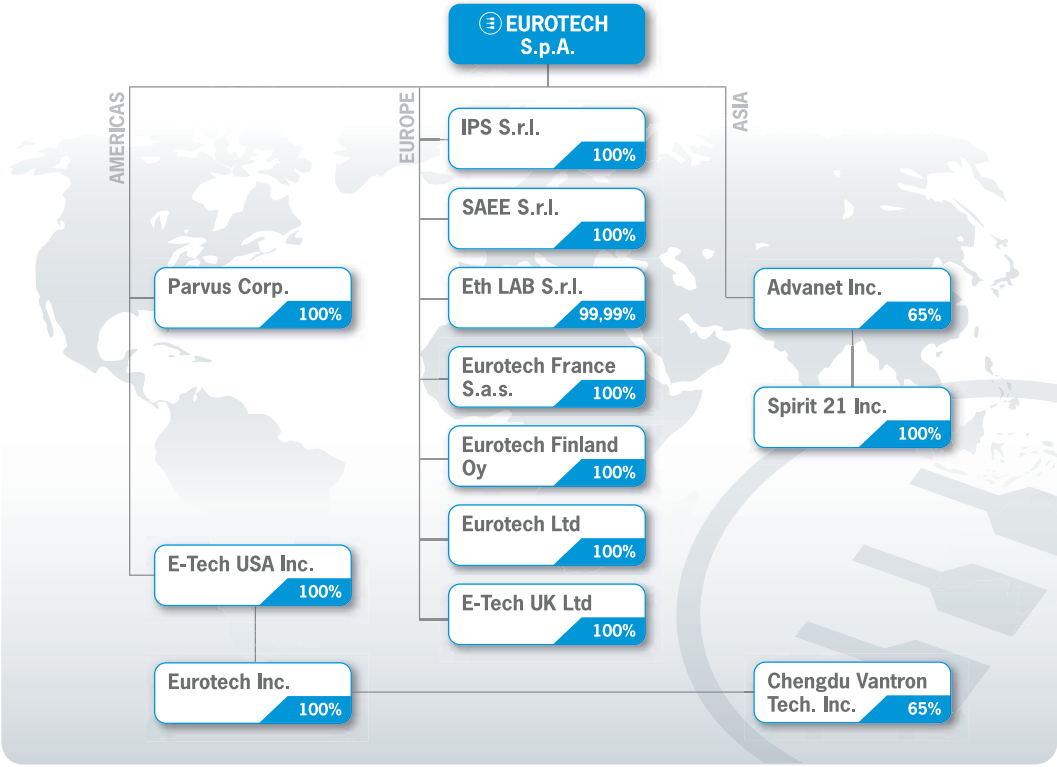
The Eurotech Group specialises in the research, development, production and marketing of miniaturised computers (NanoPC) and High Performance Computing (HPC).
Therefore, "NanoPC" and "HPC" are consolidated business lines. The Group's range in the NanoPC sector consists of electronic miniaturised modules 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 2008 the Eurotech Group was made up of the following companies:

As at 31 December 2008 the Eurotech Group was made up of the following companies:

Company name	Business	Share capital	Group's share
Parent company			
Eurotech S.p.A.	It works in the sector of nanoPCs and High Performance Computers, also developing new products on behalf of the Group	Euro 8,878,946	
Integrated subsidiaries and consolidated companies			
Eurotech Inc (deriving from the merger between the former Applied Data Systems Inc. and the former Arcom Control Systems Inc.)	It operates in the American market, designing, developing and producing embedded systems (miniaturised computers) based on Windows CE and Linux	USD 26,500,000	100.00%
Eurotech Ltd.	Engaged in the nanoPC segment, it mainly operates in the United Kingdom	GBP 33,333	100.00%
E-Tech UK Ltd.	English holding company currently not operational	GBP 1	100.00%
E-Tech USA Inc.	Holding company owning 100% of Eurotech Inc.	USD 8,000,000	100.00%
Eurotech Finland Oy	It is in charge of marketing the Group's products in Scandinavian countries and in Asia	Euro 508,431	100.00%
Eurotech France S.A.S.	A company operating in the French nanoPC market	Euro 795,522	100.00%
I.P.S. Sistemi Programmabili S.r.l.	It works in the sector of nanoPCs with I.P.S. brand	Euro 51,480	100.00%
Parvus Corp.	A company operating in the American nanoPC market	USD 119,243	100.00%
Saee S.r.l.	It devises technological solutions in the sensor network field as well as wireless applications	Euro 15,500	100.00%
EthLab S.r.l.	Since 2005 is in charge of the research and development activities on behalf of the Group	Euro 115,000	99.99%
Chengdu Vantron Technology Inc.	It is engaged in designing activities and is owned by Eurotech Inc.	USD 108,000	65.00%
Advanet Inc.	A company operating in the Japanese nanoPC market	JPY 72,440,000	65.00% (1)
Spirit 21 Inc.	It is mostly involved in the purchase, production and inspection of products on behalf of the subsidiary Advanet Inc.	JPY 10,000,000	65.00% (1)

(1) The purchase agreement also provided for a put & call mechanism for the remaining 35% of Advanet shares. For consolidation purposes, 90% of the Advanet Group is represented, having posted the 25% put option.



Economic performance

OPERATING RESULTS *(€'000)*	FY2007	%	FY2008	%
SALES REVENUES	76,537	100.0%	91,731	100.0%
GROSS PROFIT (*)	38,113	49.8%	50,411	55.0%
EBITDA (**)	1,897	2.5%	5,921	6.5%
EBIT (***)	(4,114)	-5.4%	(13,524)	-14.7%
PROFIT (LOSS) BEFORE TAXES	(4,159)	-5.4%	(15,679)	-17.1%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	(4,922)	-6.4%	(12,708)	-13.9%

(*) The First Margin derives from the difference between the revenues from the sale of goods and services and the consumption of raw materials.
(**) Earnings before interest, taxes, depreciation and amortisation (EBITDA).
(***) The operating result (EBIT) is before financial income and charges and income taxes for the year.

The Group's revenues recorded a 19.9% growth, equalling Euro 15.19 million, moving from Euro 76.54 million in 2007 to Euro 91.73 million in 2008.
This growth is exclusively attributable to the acquisition of the Japanese group Advanet at the end of 2007 (perfected on 31 October 2007, with revenues during 2008 reaching Euro 28.54 million (2007: Euro 4.29 million in the 2 months of inclusion in the consolidation setting).

It is worth mentioning that the trend in revenues for the Group would have been better if the dollar and the pound sterling had not weakened against the euro, as 53% of the revenues were obtained by American and English companies. For information it is stated that, had the exchange rate remained the same as in 2007, consolidated revenues would have equalled Euro 94.1 million, resulting in a 23% growth.

The process of integration and consolidation of the acquisitions made in the last few years already started at the end of last year, continued throughout 2008. The Plan was firmly implemented with the merger of two American companies and the consequent establishment of Eurotech Inc. in July 2008, and with the rationalisation of the Japanese companies (merger between Spirit 21 Inc. and Vantec Inc. and liquidation of the company Advanet R&D Inc.). The main aim of this plan is to encourage the growth of the Group in size with the support of an improved and more efficient commercial presence and a more rooted international presence. The plan also meant that we reconsidered entirely the presence of the different brands in the North American market; management decided to use a single "Eurotech" brand in all the sectors other than defence and consequently write down by Euro 10.8 million the residual value posted for the ADS and ARCOM brands no longer used.

Before looking closely at the income statement, we would like to specify that some of the accounts were influenced by the effects of posting *"price allocation"*[4] pertaining to the corporate aggregation of the Arcom Group, Applied Data Systems Inc. and the Advanet Group, by the already mentioned depreciation of some brands [5] and by integration costs [6] in Japan and by some costs relating to reorganising [7] the presence of the Group in the American market.
Summarised below are the actual intermediate results and those determined without considering the effects of the *price allocation*, the non-recurring depreciation of the brands and the integration and reorganisation costs:
- the first margin would have been equal to Euro 52.09 million instead of Euro 50.41 million;
- the EBITDA would have been equal to Euro 7.80 million instead of Euro 5.92 million;
- the EBIT would have been equal to Euro 3.33 million instead of Euro -13.52 million;
- the result before taxes would have been equal to Euro 2.91 million instead of Euro 15.68 million;
- the net result of the group would have been equal to Euro -0.38 million instead of Euro -12.71 million.

[4] The effects of posting the *price allocation* concerning the corporate aggregation of the Arcom Group, Applied Data systems Inc. and the Advanet Group can be summarised as follows:
- consumption of raw materials: Euro 247 thousand for 2008 and Euro 514 thousand for 2007, deriving from entering part of the greater value of the stocks identified at the time of the acquisition in the income statement;
- depreciation and amortisation: Euro 4,204 thousand (Euro 3,037 thousand for 2007), referring to the greater depreciation applied to the greater value attributed to intangible fixed assets (relations with customers, brand and job portfolio);
- financial charges: Euro 1,742 thousand for 2008 (subdivided between interest paid on discounts for Euro 247 thousand and difference in exchange rate gains for Euro 1,495 thousand) and Euro 261 thousand for 2007 (subdivided between interest paid on discounts for Euro 124 thousand and difference in exchange rate gains for Euro 137 thousand), deriving from posting the debt pertaining to the purchase of an additional 25% of Advanet Inc. shares following the valorisation of a put & call option;
- lower income taxes: Euro 1,848 thousand (Euro 1,397 thousand for 2007), deriving from the effect of taxes on the adjustments made;
- higher third party result: Euro 172 thousand (Euro 89 thousand for 2007), deriving from the effect attributed to the third parties in the price allocation.

[5] The effect of entering the depreciation of the ADS and Arcom brands in the income statement for the year led to:
- depreciation: Euro 10.8 million of which Euro 3,438 thousand for the ADS brand and Euro 7,332 thousand for the Arcom brand;
- lower income taxes: Euro 3,818 thousand, deriving from the effect of taxes on the depreciation made.

[6] The integration of the Japanese Group led to a non-recurring depreciation of stocks for Euro 884 thousand. The lower taxes posted amounted to Euro 371 thousand.

[7] Reorganisation in the United States implied one-off adjustments in both accounts receivable and the value of stocks, for a total before tax of Euro 744 thousand.

The first margin recorded a significant improvement in terms of over revenues ratio, moving from 49.8% to 55.0% for an absolute value improvement of Euro 12.30 million. This effect, which was substantially constant throughout the year, is slightly higher than expected at the start of the year by management and reflects the business model applied by the Group, the contribution deriving from acquiring the Advanet Group and the harmonisation of purchasing processes among the Group Companies. The neutralisation of the negative effects deriving from the *price allocation* and some integration costs on the first margin, as specified above, would further increase the first margin/sales ratio.

In the reference period, operating costs gross of the relevant adjustments for internal increases, went from a revenues ratio of 51.8% in 2007 (equal to Euro 39.66 million) to 52.5% (equal to Euro 48.11 million), thus influencing the result before depreciation, financial charges and taxes (EBITDA) of the Group.

In the periods considered, the earnings before interest, taxes, depreciation and amortisation (EBITDA) went up by Euro 4,024 thousand, moving from Euro 1,897 thousand in 2007 to Euro 5,921 thousand in 2008. The EBITDA/revenues ratio went from 2.5% in 2007 to 6.5% in 2008. The rationalisation policy and the search for increased efficiency, already implemented starting from the second half of the year, should bring about benefits in terms of contained costs during 2009. The negative effects of the *price allocation* and of the integration and reorganization costs on the EBITDA amounted to Euro 514 thousand for 2007 and Euro 1.63 million for 2008.

The operating result (EBIT) dropped in the periods in question, moving from Euro -4,114 thousand in 2007 to Euro -13,524 thousand in 2008. EBIT/revenues ratio stood at -14.7% in 2008, compared to -5.4% in 2007. This trend was heavily influenced by the greater depreciation and amortisation posted in 2008. The greater depreciation is to be mainly attributed to the effect of the *price allocation* concerning the acquisition of Eurotech Inc. (former Applied Data Systems Inc.), the Advanet Group and the Arcom Group (former Arcom Control Systems Inc.). The effect on the operating result (EBIT) of the greater values posted with reference to the *price allocation in the year* 2008 amounted to Euro 4,451 thousand as compared to Euro 3,551 thousand in 2007. We would like to specify that part of these effects, equal to Euro 1,769 thousand, disappeared during the year.
The write downs mainly refer to the decision by management to write down some brands posted in the accounts for a total of Euro 10,770 thousand. Following the integration between the American companies Applied Data Systems Inc. and Arcom Control Systems Inc., started in April 2008 with the change of the company name of both companies, and further developed in July 2008 with the merger between the two, and in light of the results emerging from a market survey, management has undertaken to use the single brand "Eurotech" in North America in all the sectors other than defence. Based on this decision, directors prudentially wrote down ADS and Arcom brands by Euro 3,438 thousand and Euro 7,332 thousand respectively, as they deemed these brands as no longer having a use value or a market value.

The financial management was affected by the trends in the net financial position as well as by the exchange rate differences due to the performance of foreign currencies. The greater indebtedness and the variation in interest rates influenced the rise in financial charges, which was only partially counterbalanced by the financial income deriving from employing the residual liquidity after using liquid funds for acquisitions at the end of 2007. A major factor impacting the financial management is linked to the effects of posting the put option for the purchase of an additional 25% of the shares in Advanet Inc., resulting in financial charges for Euro 1,742 thousand (Euro 261 thousand in 2007). During the financial period, following the situation of the Japanese market and the forecasted results in 2009, the estimated value of the option was

downsized as stated in the explanatory note F, which illustrates the relevant effects in more detail.

The Result before tax went from Euro -4,159 thousand in 2007 to Euro -15,679 thousand in 2008. This trend was affected by the considerations made above. The *price allocation*, write downs, integration and reorganisation costs and costs from put option had an effect on the result before tax equal to Euro 18.59 million in 2008 and Euro 3.81 million in 2007.

The net result for the Group went from Euro -4,922 thousand in 2007 to Euro -12,708 thousand in 2008. This performance, in addition to reflecting the changes in the result before tax, mainly derives from the influence of the tax burden on the various entities within the Group (as better specified in note 33) and to a lower extent, from the share of the result attributable to third parties. The total effects of the price allocation, the depreciation of the brands and the integration and reorganization costs on the net result for the Group in 2008 amounted to Euro 12,330 thousand (2007: Euro 2,326 thousand).

The evolution of revenues and margins and the relevant variations in the periods concerned are illustrated in detail for the single business areas.

	NanoPC			High Performance Computer			Total		
(€'000)	FY2007	FY 2008	% YoY Change	FY2007	FY 2008	% YoY Change	FY2007	FY 2008	% YoY Change
Sales revenues	74,385	91,413	22.9%	2,152	318	-85.2%	76,537	91,731	19.9%
Gross profit	37,152	50,284	35.3%	961	127	-86.8%	38,113	50,411	32.3%
EBITDA	1,220	5,901	383.7%	677	20	-97.0%	1,897	5,921	212.1%
EBITDA margin - %	1.6%	6.5%		31.5%	6.3%		2.5%	6.5%	
EBIT	4,784	13,535	182.9%	670	11	-98.4%	-4,114	-13,524	228.7%
EBIT margin - %	-6.4%	-14.8%		31.1%	3.5%		-5.4%	-14.7%	

The revenues of the business area NanoPC, equalling Euro 74,385 thousand in 2007 and Euro 91,413 thousand in 2008, went up by 22.9%. This growth is attributable to the contribution from the Japanese Group Advanet acquired at the end of October 2007.

The revenues of the business area HPC, equalling Euro 2,152 thousand in 2007 and Euro 318 thousand in 2008, recorded a drop of Euro 1,834 thousand. This variation is a consequence of the cyclical nature of this sector, which also features, up to now, large job orders with a limited number of potential customers usually coming from the scientific and research world.

The break down of revenues by type highlights a decrease in the incidence of revenues for services and a 22.1% rise in industrial revenues, exceeding the total growth in revenues equal to 19.9%.

SALES BY TIPE	FY2007	%	FY 2008	%
Industrial revenues	72,464	94.7%	88,510	96.5%
Services revenues	4,073	5.3%	3,221	3.5%
TOTAL SALES AND SERVICE REVENUE	76,537	100.0%	91,731	100.0%

The break down by geographic area reveals that the increase in sales recorded in Japan, which is the main outlet market for the Advanet Group, is the result of the different time contribution of Advanet in the two fiscal periods (in 2007 the Advanet Group was consolidated for 2 months while in 2008 its contribution concerned the entire year).
The reduced sales in the United States are attributable to the temporary absorption of resources involved in the plan for the integration of the US companies, and to the dollar effect, whose depreciation against the European currency had a remarkable effect on the conversion of financial statements expressed in the reporting currency.
With regard to Italy, the downturn is attributable to the stagnation of the outlet markets that are specific in that area such as, for example, the public transport sector

BREAKDOWN BY GEOGRAPHIC AREA	FY2007	FY 2008	%	var. %
Italy	11,313	8,424	9.2%	-25.5%
European Union without Italy	12,960	13,229	14.4%	2.1%
United States	42,236	36,137	39.4%	-14.4%
Japan	4,332	28,517	31.1%	558.3%
Rest of the World	5,696	5,424	5.9%	-4.8%
TOTAL SALES AND SERVICE REVENUE	76,537	91,731	100.0%	19.9%

(€'000)	FY2007	% of sales	FY2008	% of sales	var. %
Purchases of raw materials, semi-finished and finished products	38,909	50.8%	35,987	39.2%	-7.5%
Changes in inventories of raw materials	514	0.7%	3,770	4.1%	n.s.
Change in inventories of semi-finished and finished products	(999)	-1.3%	1,563	1.7%	-256.5%
TOTAL COST OF MATERIALS	38,424	50.2%	41,320	45.0%	7.5%

The item consumption of raw materials, consumables and goods for resale, whose data is stated in the table above, in the period considered grew from Euro 38,424 thousand in 2007 to Euro 41,320 thousand in 2008. In the period concerned, a 7.5% increase was recorded as a direct consequence of the rise in sales, of the different role played by the Advanet Group, which historically has a higher first margin, and of the procurement policy adopted by the Group.

The consumption of raw materials, consumables and goods for resale/revenues ratio went from 50.2% in 2007 to 45.0% in 2008, slightly better than the objectives set at the beginning of the year.
A decision was made to make one-off adjustments in stocks during the year for both the Japanese company Advanet and the American Eurotech Inc. (mainly finished and semi-finished products) for Euro 884 thousand and Euro 548 thousand, respectively, mainly concerning custom products and semi-finished products and products in excess of demand. This decision had an effect on the costs for consumption of raw materials, consumables and goods for resale.

(€'000)	FY2007	% of sales	FY2008	% of sales	var. %
Service costs	14,797	19.3%	17,268	18.8%	16.7%
Rent and leases	1,439	1.9%	2,124	2.3%	47.6%
Payroll	22,583	29.5%	27,433	29.9%	21.5%
Accruals and other costs	844	1.1%	1,289	1.4%	52.7%
Cost adjustments for in-house generation of non-current assets	(3,061)	-4.0%	(1,989)	-2.2%	-35.0%
OTHER OPERATING COSTS NET OF COST ADJUSTMENTS	**36,602**	**47.8%**	**46,125**	**50.3%**	**26.0%**

The other operating costs, net of the cost adjustments for internal increases, highlighted in the table above, went from Euro 36,602 thousand in 2007 to Euro 46,125 thousand in 2008, recording a 26.0% increase, due to the lower capitalized development costs and the greater personnel costs, related to the business combination taking place last year. The impact of the operating costs on revenues went from 47.8% in 2007 to 50.3% in 2008.

The performance of the item costs for services is illustrated below in detail.

(€'000)	FY2007	%	FY2008	%	var. %
Industrial services	4,265	28.8%	4,712	27.3%	10.5%
Commercial services	3,514	23.7%	4,007	23.2%	14.0%
General and administrative costs	7,018	47.4%	8,549	49.5%	21.8%
TOTAL COSTS OF SERVICES	**14,797**	**100.0%**	**17,268**	**100.0%**	**16.7%**
% IMPACT ON SALES	**19.3%**		**18.8%**		

Costs for services moved from Euro 14,797 thousand in 2007 to Euro 17,268 thousand in 2008, equalling a 16.7% increase. The costs for services/revenues ratio went from 19.3% in 2007 to 18.8% in 2008. The growth in absolute terms is due to the effect of the different contribution of the Advanet Group in the two fiscal periods and the lower impact on revenues demonstrate the policy adopted by the Group to improve efficiency and curb costs.

Concerning industrial costs in particular, which went from Euro 4,265 thousand in 2007 to Euro 4,712 thousand in 2008, a drop in the ratio over revenues was recorded as the effect of an industrial cost containment policy adopted at Group level.

Costs for commercial services went up by 14.1%, from Euro 3,514 thousand in 2007 to Euro 4,008 thousand in 2008. This rise is due both to the different incidence of the Advanet Group in the two financial periods and to the growth in this type of services to support the widening client base and penetrate new markets as well as market niches where operations are already run.

Finally, general costs went up by 21.8%, from Euro 7,018 thousand in 2007 to Euro 8,549 thousand in 2008. The increase is mainly due to the different time contribution given by the corporate aggregation occurred at the end of 2007 to general and administrative costs.

Hire, purchase and leasing charges went up by 47.6%, moving from Euro 1,439 thousand in 2007 to Euro 2,124 thousand in 2008. This item's ratio over revenues stood unaltered at about 2% in the two periods considered. The value increase is to be ascribed to the different time contribution in terms of costs brought by the Advanet Group.

(€'000)	FY2007	%	FY2008	%	var. %
Wages, salaries, and Social Security	22,095	97.8%	26,939	98.2%	21.9%
Severance indemnities	261	1.2%	368	1.3%	41.0%
Retirement benefits and similar obligations	25	0.1%	8	0.0%	-68.0%
Other costs	202	0.9%	118	0.4%	-41.6%
TOTAL COST OF PERSONNEL	**22,583**	**100.0%**	**27,433**	**100.0%**	**21.5%**
% IMPACT ON SALES	**29.5%**		**29.9%**		

In the period considered, personnel costs increased by 21.5% due to the different time contribution given by the Advanet Group in the two fiscal periods, leading to a rise in costs for about Euro 5.3 million, and to a reduction in the number of employees in the various Group companies.

The personnel cost/revenues ratio remained unaltered at 29.9% in 2008.

As illustrated in the table below, the number of employees of the Group decreased at the end of the periods considered, moving from 624 units in 2007 to 586 units in 2008. This reduction mainly reflects the business model adopted by the Group, as well as the Group policy of rationalising existing resources. Despite of a reduction in the employees headcount at year end, we highligh an increase in the average headcount as a consequence of a different contribution coming from Advanet between the two financial years and also a reduction in the average cost per person between 2007 and 2008.

From the item "employees", the people were taken out, who are part of the management team and are in charge of management in individual subsidiaries.

EMPLOYEES	FY2006	FY2007	Average 2007	FY2008	Average 2008
Managers		22	16.7	21	21.5
Clerical workers	208	530	355.8	469	504.9
Line workers	75	72	74.5	96	73.2
TOTAL	**286**	**624**	**447.0**	**586**	**599.6**

(€'000)	FY2007	%	FY2008	%	var. %
Doubful debt provision	232	27.5%	332	0.4%	43.1%
Other Provisions	121	14.3%	578	0.6%	377.7%
Other costs	491	58.2%	379	0.4%	-22.8%
TOTAL ACCRUALS AND OTHER COSTS	**844**	**100.0%**	**1,289**	**100.0%**	**52.7%**
% IMPACT ON SALES	**1.1%**		**1.4%**		

The item bad debt reserve refers to the provisions set aside in the periods considered in order to face any possible bad debt.
The item provisions mainly refers to amounts allocated for costs of guarantee on products and for possible loser payments.
The ratio of the item other provisions and other costs over revenues went from 1.1% in 2007 to 1.4% in 2008.

(€'000)	FY2007	%	FY2008	%	var. %
Government grants	70	2.0%	1,096	30.2%	n.s.
Increases in internally constructed assets	3,061	88.8%	1,989	54.9%	-35.0%
Sundry revenues	316	9.2%	539	14.9%	70.6%
TOTAL OTHER REVENUES	**3,447**	**100.0%**	**3,624**	**100.0%**	**5.1%**
% IMPACT ON SALES	**4.5%**		**4.0%**		

The item "Other income" increased by 5.1% in the period considered, moving from Euro 3,447 thousandto Euro 3,624 thousand in 2008. This rise is due to the combined effect of an increase in government contributions (especially contributions for research purposes made available to local companies by the single States) and a reduced capitalisation of the development costs incurred by the Group to devise highly integrated standard module and system solutions in the field of nano PCs and wearable PCs. The Other income/revenues ratio went from 4.5% in 2007 to 4.0% in 2008.

(€'000)	FY2007	%	FY2008	%	var. %
Amortisation of intangile assets	4,685	77.9%	6,323	32.5%	35.0%
Amortisation of property, plant and equipment	1,089	18.1%	1,622	8.3%	48.9%
Write-down of fixed assets	237	3.9%	11,500	59.1%	n.s.
TOTAL AMORTISATION AND DEPRECIATION	**6,011**	**100.0%**	**19,445**	**100.0%**	**223.5%**
% IMPACT ON SALES	**7.9%**		**21.2%**		

Amortisation went from Euro 5,774 thousand in 2007 to Euro 7,945 thousand in 2008. This variation is mainly attributable to the effects of the *price allocation*, which, as already stated, amounted to Euro 3,037 thousand in 2007 and Euro 4,204 thousand in 2008. To a lesser extent this variation is due to the increased amortisation of capitalised development costs, amortisation concerning investments made in the period and the different contribution of the Advanet Group in the 2 different fiscal periods.
The write down of Euro 11,500 thousand is mainly attributable to the integral depreciation of ADS and Arcom brands for a total of Euro 10,770 thousand. The value of the goodwill correlated to the acquisition of stakes in I.P.S. Sistemi Programmabili S.r.l. and SAEE S.r.l. was also reduced by a total of Euro 415 thousand, for which it is believed that the requirements for operations are not met; the remaining Euro 315 thousand refer to the depreciation of some projects posted under development costs and referring to products that were not received by market as expected.

This cost/revenues ratio went from 7.9% in 2007 to 21.2% in 2008.

(€'000)	FY2007	FY2008	change %
Exchange-rate losses	774	2,436	214.7%
Exchange-rate losses from PUT option	137	1,495	n.s.
Interest expenses	1,377	2,390	73.6%
Interest expenses due to the discounting	124	247	99.2%
Expenses on derivatives	126	65	-48.4%
Other finance expenses	1	77	n.s.
FINANCIAL CHARGES	**2,539**	**6,710**	**164.3%**

(€'000)	FY2007	FY2008	change %
Exchange-rate gains	154	2,846	n.s.
Interest income	2,672	1,805	-32.4%
Other finance income	16	1	-93.8%
FINANCIAL INCOMES	**2,842**	**4,652**	**63.7%**
NET FINANCIAL INCOME	**303**	**(2,058)**	**n.s.**

Investments in related companies implied a cost of Euro 348 thousand in 2007 and Euro 97 thousand in 2008. The effect for the year derives from the loss resulting from selling the shares of Neuricam S.p.A. and from the depreciation in market value of the company Inasset S.r.l.

The increased financial charges, going from Euro 2,539 thousand in 2007 to Euro 6,710 thousand in 2008, are mainly attributable to exchange rate losses realised and adjusted, the increase in medium/long-term debt following the acquisition of the Advanet Group and the increased money rate. Exchange losses in particular, in addition to being linked to the performance of the American dollar and the British pound sterling, derive for Euro 1,495 thousand from the exchange rate differential linked to the financial debt in currency posted after the valorisation of the put option to acquire 25% of Advanet. The increase in interest paid is correlated to the medium/long-term loans taken at the end of 2007 by the Parent company to purchase the Advanet Group and to the financing in place at the same Advanet Group at the time of the acquisition.

Financial income increased from Euro 2,842 thousand in 2007 to Euro 4,652 thousand in 2008. This variation is attributable to the exchange rate effect (particularly relating to transactions in the Japanese currency), which more than counterbalanced the lack of interest receivable deriving from the liquidity used to acquire 65% of the Advanet Group as specified above.

The financial management/revenues ratio went from 0.4% in 2007 to -2.2% in 2008.

(€'000)	FY2007	% of sales	FY2008	% of sales	var. %
Pre-tax result	(4,159)	-5.4%	(15,679)	-17.1%	277.0%
Income taxes	(847)	-1.1%	3,201	3.5%	-477.9%
Income taxes as a percentage of profit before taxes (effective tax rate)	**-20.4%**		**20.4%**		

The Result before tax went down from Euro -4,159 thousand in 2007 to Euro -15,679 thousand in 2008. This reduction was negatively affected by the price allocation for an amount equal to Euro 3,811 thousand in 2007 and Euro 6,193 thousand in 2008, the depreciation of the brands by Euro 10,770 thousand and the non-recurring integration and reorganisation costs for Euro 1,628 thousand. The result before tax/ revenues ratio went from -5.4% in 2007 to 17.1% in 2008 due to the factors described above.

The table below shows a break down of the income taxes for each period considered, distinguishing the current part from the deferred and advanced part, making a distinction between the taxes relating to Italian legislation and those referring to foreign legislation applicable to the Group companies.

(€'000)	FY2007	% of sales	FY2008	% of sales	var. %
IRES (Italian corporate income tax)	20	0.0%	14	0.0%	-100.0%
IRAP (Italian Regional business tax)	18	0.0%	26	0.0%	-61.1%
Foreign current income taxes	1,528	2.0%	2,395	2.6%	60.8%
TOTAL CURRENT INCOME TAX	**1,566**	**2.0%**	**2,435**	**2.7%**	**57.3%**
Net (prepaid) deferred taxes: Italy	868	1.1%	77	0.1%	-92.4%
Net (prepaid) deferred taxes: Non-italian	(1,587)	-2.1%	(5,713)	-6.2%	7.8%
Net (prepaid) deferred taxes	**(719)**	**-0.9%**	**(5,636)**	**-6.1%**	**128.8%**
TOTAL INCOME TAXES	**847**	**1.1%**	**(3,201)**	**-3.5%**	**n.s.**

Capital, financial position and operating results

Non-current assets

(€'000)	at December 31, 2007	at December 31, 2008	Changes
ASSETS			
Intangible assets	111,918	114,399	2,481
Property, Plant and equipment	6,737	7,885	1,148
Investments in affiliates companies	109	875	766
Investments in other companies	930	249	(681)
Deferred tax assets	1,802	1,533	(269)
Other non-current assets	630	749	119
TOTAL NON-CURRENT ASSETS	**122,126**	**125,690**	**3,564**

The item Non-current assets in the table above went from Euro 122,126 thousand in 2007 to Euro 125,690 thousand in 2008.
This growth is mainly due to the increase in intangible fixed assets as a result of the different share exchange ratio applied to the conversion of foreign companies, compensated by the depreciation of ADS and Arcom brands. For more details please refer to paragraph F and H1 of the notes to the consolidated financial statements.
The net increase in the value of investments in related companies and other firms for Euro 85 thousand is linked to the purchase of an additional capital share in the company UTRI S.p.A. after subscribing a 17.95% capital share in 2007.

Listed below are the main investments made by the Group:

(€'000)	FY2007	FY 2008	Chg.
Intangible assets	3,890	3,066	(824)
Property, plant and equipment	1,466	2,495	1,029
Investments	667	173	(494)
TOTAL MAIN INVESTMENTS	**6,023**	**5,734**	**(289)**

Current assets

(€'000)	at December 31, 2007	at December 31, 2008	Changes
Inventories	22,129	19,783	(2,346)
Contracts in progress	2,364	383	(1,981)
Trade receivables	18,807	22,063	3,256
Income tax receivables	2,203	4,124	1,921
Other current assets	2,793	2,792	(1)
Other current financial assets	0	719	719
Derivative instruments	82	0	(82)
Cash & cash equivalents	56,604	38,684	(17,920)
Total current assets	**104,982**	**88,548**	**(16,434)**

The item Current assets went down from Euro 104,982 thousand in 2007 to Euro 88,548 thousand in 2008.

The net decrease in current assets is to be ascribed to the reduction in liquid funds by Euro 17,920 thousand, used to repay loans during the year and pay debts for corporate aggregations, and to a reduction is stocks and work in progress, partially compensated by an increase in accounts receivable.

Net working capital

Current assets, net of liquid funds, together with non financial current liabilities make up the net working capital, which in the period considered developed as follows:

(€'000)	at December 31, 2007	at December 31, 2008	Changes
	(a)	(b)	(b-a)
Inventories	22,129	19,783	(2,346)
Contracts in progress	2,364	383	(1,981)
Trade receivables	18,807	22,063	3,256
Income tax receivables	2,203	4,124	1,921
Other current assets	2,793	2,792	(1)
Current assets	***48,296***	***49,145***	***849***
Trade payables	(14,506)	(15,207)	(701)
Income tax liabilities	(2,112)	(1,461)	651
Other current liabilities	(5,581)	(5,047)	534
Current liabilities	***(22,199)***	***(21,715)***	***484***
Net working capital	**26,097**	**27,430**	**1,333**

The increase in net working capital is mainly due to the combined effect of decreased unsold stocks and contract work in progress, which was lower than the increase in accounts receivable and tax credits. The increase in accounts receivable in particular reflects the trend in sales in the last quarter of the year.

Net financial position

As at 31 December 2008 the net financial position of the Group amounted to Euro 572 thousand, compared to a net debt of Euro 6,379 thousand as at 31 December 2007, with an improvement of Euro 6,951 thousand.

The table below shows a break down of the net financial position at the end of each period.

(€'000)		at December 31, 2007	at December 31, 2008
Cash & cash equivalents	A	(56,604)	(38,684)
Cash equivalent	**B=A**	**(56,604)**	**(38,684)**
Other current financial assets	C	0	(719)
Derivative instruments	D	(82)	346
Short-term borrowing	E	9,787	5,782
Business aggregation liabilities	F	3,242	0
Short-term financial position	**G=C+D+E+F**	**12,947**	**5,409**
Short-term net financial position	**H=B+G**	**(43,657)**	**(33,275)**
Business aggregation liabilities	I	15,864	8,049
Medium-/long-term borrowing	**J**	**34,172**	**24,654**
Medium-/long-term net financial position	**K=I+J**	**50,036**	**32,703**
NET FINANCIAL POSITION	**L=H+K**	**6,379**	**(572)**

In calculating the net financial position also Euro 8,049 thousand (Euro 19,106 thousand in 2007) were considered, for future disbursements that did not imply an actual cash expenditure, broken down as follows:

- financial liability at fair value of Euro 7.0 million (Euro 14.9 million in 2007) referring to the put option on 25% of Advanet Inc. shares exercisable in the early months of 2010. As stated specifically in note F and note 20, this financial liability, reviewed at the end of 2008, is not yet definitive but represents the best estimate to date;
- residual debt for Euro 1 million (Euro 2.9 million in 2007) towards the shareholders of Applied Data Systems Inc. for the part of the price bound to an escrow deposit payable in 2010.
- the positive short-term net financial position went from 43,657 thousand to Euro 33,275 thousand. This variation can be mainly attributed to the use of the liquid funds to repay loans and purchase own shares for Euro 1,296 thousand.

The negative medium and long-term net financial position went from Euro 50,036 thousand in 2007 to Euro 32,703 thousand in 2008 due mainly to the reduction in debts for corporate aggregations following the redetermination of the put option on Advanet (for Euro 7,825 thousand) and the payment of loan

instalments.
Existing financing for Euro 30,100 thousand, together with the overdrafts at the end of 2008 equal to Euro 335 thousand, resulted in total bank loans equalling Euro 30,435 thousand, of which Euro 5,782 thousand are short term.

Cash flow

(€'000)	FY2007	FY 2008
Cash flow generated (used) in operations	(999)	6,050
Cash flow generated (used) in investment activities	(72,170)	(8,033)
Cash flow generated (used) in financial activities	10,838	(16,676)
Change in the conversion difference	(679)	739
Increase (decrease) in cash & cash equivalents	(63,010)	(17,920)
Opening amount in cash & cash equivalents	119,614	56,604
End of period in cash & cash equivalents	56,604	38,684

Operations generated a positive flow worth more than Euro 6 million, confirming the good corporate choices made with regard to the Group management.
Investment activities were significantly affected by the variation in the value of the put option on 25% of the Advanet Group as well as by investments in the development of new products in the field of NanoPC modules and systems, in the new ERP system, and the internal investments in industrial and commercial equipment and hardware.

Finally the cash flows deriving from the financial activity are mainly due to the early repayment of some loans and to the reimbursement of shares of medium-term financing.

Infragroup relations and relations with correlated 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 2008 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. 34 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.

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
				December 31, 2008					
Siagri Roberto	President	Eurotech	Ownership	2,500,531	-	-	-	2,500,531	1,040,371
Tecchiolli Giampietro	Director	Eurotech	Ownership	191,015	-	-	-	191,015	-
De Toni Alberto Felice	Director	Eurotech	Ownership	6,003	-	-	-	6,003	-
Mio Chiara	Director	Eurotech	Ownership	-	-	-	-	-	-
Pizzul Cesare	Director	Eurotech	Ownership	-				-	-
Barazza Sandro	Director from August 8, 2008	Eurotech	Ownership	-				-	-
Bagnato Filippo	Director from November 14, 2008	Eurotech	Ownership	-	-	-	-	-	-
Soccodato Giovanni	Director from November 14, 2008	Eurotech	Ownership	-	-	-	-	-	-
Tucci Maurizio	Director from November 14, 2008	Eurotech	Ownership	-	-	-	-	-	-
Mauri Massimo	Resigned to 04.08.2008	Eurotech	Ownership	1,104,388			(500,000)	604,388	324,371
Feragotto Dino	Resigned to 05.11.2008	Eurotech	Ownership	2,410,160			(2,410,160)	-	-
Chiandussi Roberto	Resigned to 05.11.2008	Eurotech	Ownership	797,400			(787,400)	10,000	-
Pezzulli Giorgio	Resigned to 05.11.2008	Eurotech	Ownership	748,901			(748,901)	-	-
Belletti Caterina	Director up to May 5, 2008	Eurotech	Ownership	-	-	-	-	-	-
Spangaro Giovanni	Director up to May 5, 2008	Eurotech	Ownership	18,500	-	-	-	18,500	-
Vitali Michele	Director up to May 5, 2008	Eurotech	Ownership	-	-	-	-	-	-
Goi Eros	Director up to May 5, 2008	Eurotech	Ownership	6,000	-	-	(6,000)	-	-
Siciliotti Claudio	President of Board of Auditors	Eurotech	Ownership	20,000			-	20,000	10,000 (*)
Cignolini Michela	Statutory Auditor from August 29, 2008	Eurotech	Ownership	-	-	-	-	-	-
Rubatto Marco	Statutory Auditor from August 29, 2008	Eurotech	Ownership	-	-	-	-	-	-
Cavalluzzo Nicolino	Statutory Auditor from May 6, 2008 to August 29, 2008	Eurotech	Ownership	-	-	-		-	-
Ginisio Lorenzo	Statutory Auditor from May 6, 2008 to August 29, 2008	Eurotech	Ownership	-	-	-	-	-	-
Lago Umberto	Statutory Auditor up to May 5, 2008	Eurotech	Ownership	190,000	-	-	-	190,000	-
Milanese Stefano	Statutory Auditor up to May 5, 2008	Eurotech	Ownership	-	500	-	-	500	-
Bulfoni 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 2007 and 31 December 2008:

(€'000)	Profit (Loss) 12/31/2007	Shareholders' Equity 12/31/2007	Profit (Loss) 12/31/2008	Shareholders' Equity 12/31/2008
Financial report of the Parent Company	**(6,593)**	**131,168**	**(11,997)**	**117,448**
Group share of shareholders' equity and pro-quota value in consolidated companies	482	(65,990)	1,713	(54,022)
Minority purchase	-	(8,394)	-	1,040
Differential arising from consolidation	(63)	46,459	(415)	55,795
Customer relationship	(639)	18,273	(2,267)	21,330
Trademark	-	14,702	(7,332)	8,395
Order book	(1,082)	732	(821)	-
Inventories at fair value	(286)	229	(247)	-
Reversal of Impairment of equity transactions	875	-	6,089	-
Effect of valuing equity investments using th enet equity method	-	(11)	(37)	(48)
Elimination of unrealised internal profit on inventories	-	-	(6)	(6)
Exchange differences on equity investments in foreign companies	2,152	-	(1,048)	-
Offset dividends	(886)		-	-
Tax effects on consolidation adjustments listed above	1,034	(13,236)	3,890	(12,459)
Consolidated financial statements	**(5,006)**	**123,932**	**(12,478)**	**137,473**

Own shares of the parent company owned by it or by subsidiaries

The own shares held by the parent company Eurotech S.p.A. at year end are 420,140. In the year 2008 the own shares had the following movements:

	No. of shares	Face value of a share (Thousand of Euro)	% share capital	Carrying value (€'000)	Average unit value
Status as at 1 January 2008	**6,300**	**2**	**0.02%**	**52**	
Purchases	413,840	103	1.17%	1,296	3.13
Sales	-	-	0.00%	-	
Status as at 31 December 2008	**420,140**	**105**	**1.18%**	**1,348**	

The purchase of own shares occurred in execution of and in compliance with the terms authorised by the resolution of the shareholders' meeting of 7 May 2007. No other purchases occurred after 6 November 2008.

Investments and research and development activities

As at 31 December 2008 technical investments (tangible fixed assets) for equipment and instruments amounted to Euro 1,243 thousand, investments concerning other assets amounted to Euro 1,224 thousand and investments for the purchase of patents to Euro 334 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 1,989 thousand. About 9% of these costs relates to the development of new technologies in the HPC segment; about 25% of these costs were generated by the continuation of the "Wrist Wearable PC" project: notable developments were made with regard to both the light version, focusing on the device's weight and shape, and the "rugged" version, purposefully studied for use in hard environments. The remaining 75% was used on various fronts, also to continue projects that had already been started the year before, among which worth highlighting are: new boards based on innovative and performing platforms with low and very low consumption; sensors, important elements to create the pervasive computational grid (GRID); the innovative Passenger Counter for the transport sector.

Main risks and uncertainties that the Group is exposed to

Risks connected to general economic condition

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 extend 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.
The Group believes its capacity of generating positive flows can be maintained despite a possible reduction in turnover.
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 an 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.

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.

Information on the ownership structure and the adhesion to the codes of behaviour

In relation to the information requested by art. 123-bis paragraph 1 of Leg. Decree no. 58 of 24 February 1998 and subsequent amendments and integrations, it is hereby stated that this information is available in the internet site of the Parent company in the "investors" section.
The information requested by art. 124-bis of the Leg. Decree no. 58 of 24 February 1998 and subsequent amendments and integrations (TUF) is reported in the document "Relazione annuale al 31.12.2008 sulla "Corporate Governance" filed at the same time as this report at the head office, at Borsa Italiana S.p.A. and published in the Internet site of the Parent company in the "investors" section.

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 USA 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

The integration and the strengthened relations among the various companies of the Group, the positioning at global level of the individual subsidiaries, in addition to proving the solidity of the Group from an equity and financial point of view, allow us to foresee a positive trend for 2009 despite the uncertain market conditions of some sectors.

The strategic development of the Group will also continue in 2009 following guidelines similar to those already active in recent years. In particular the implementation of the strategic plan includes the following actions:

- development and offer of new products solutions with a greater added value in the field of the NanoPCs, with particular attention to the creation of "*application ready*" (systems) platforms and "*ready to use*" products;
- in the field of NanoPCs and HPC, the focus on products/solutions closer to the paradigm of "*pervasive computing*" or "*ubiquitous computing*";
- the intensification of commercial activities, particularly with regard to indirect and direct sales channels; the increase in the integration among individual Group companies, to obtain greater operating effectiveness, taking advantage from the obtainable economies of scale and consolidating the Eurotech brand image;
- the continuous monitoring of opportunities for new acquisitions to extend the presence of the Group in specific markets.

CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2008 prepared according to international accounting standards

Balance Sheet

(€'000)	Notes	at December 31, 2007	at December 31, 2008
ASSETS			
Intangible assets	1	111,918	114,399
Property, Plant and equipment	2	6,737	7,885
Investments in affiliates companies	3	109	875
Investments in other companies	3	930	249
Deferred tax assets	33	1,802	1,533
Other non-current assets	4	630	749
Total non-current assets		**122,126**	**125,690**
Inventories	5	22,129	19,783
Contracts in progress	6	2,364	383
Trade receivables	7	18,807	22,063
Income tax receivables	8	2,203	4,124
Other current assets	9	2,793	2,792
Other current financial assets	11	0	719
Derivative instruments		82	0
Cash & cash equivalents	10	56,604	38,684
Total current assets		**104,982**	**88,548**
Total assets		**227,108**	**214,238**
LIABILITIES AND EQUITY			
Share capital		8,879	8,879
Reserves		117,510	137,888
Net profit (loss) for period		(4,922)	(12,708)
Group shareholders' equity	**13**	**121,467**	**134,059**
Minority capital and reserves		2,549	3,184
Minority profit (loss) for period		(84)	230
Equity attributable to minority interest	**13**	**2,465**	**3,414**
Total shareholders' equity	**13**	**123,932**	**137,473**
Medium-/long-term borrowing	15	34,172	24,654
Employee benefit obligations	16	1,512	1,742
Deferred tax liabilities	33	15,055	12,556
Other non-current liabilities	18	1,345	1,921
Business combination liabilities	20	15,864	8,049
Total non-current liabilities		**67,948**	**48,922**
Trade payables	19	14,506	15,207
Short-term borrowing	15	9,787	5,782
Derivative instruments	36	0	346
Income tax liabilities	8	2,112	1,461
Other current liabilities	21	5,581	5,047
Business combination liabilities	20	3,242	0
Total current liabilities		**35,228**	**27,843**
Total liabilities		**103,176**	**76,765**
Total liabilities and equity		**227,108**	**214,238**

Income Statement

INCOME STATEMENT *(€'000)*	Notes	FY2007	FY2008
Revenues from sales of products and services	G	76,537	91,731
Other revenues	29	386	1,635
Cost of materials	23	(38,424)	(41,320)
Service costs	25	(14,797)	(17,268)
Lease & hire costs	26	(1,439)	(2,124)
Payroll costs	27	(22,583)	(27,433)
Other provisions and other costs	28	(844)	(1,289)
Cost adjustments for in-house generation of non-current assets	30	3,061	1,989
Depreciation & amortisation	31	(5,774)	(7,945)
Asset impairment	31	(237)	(11,500)
Operating profit		**(4,114)**	**(13,524) (*)**
Share of associates' profit of equity		(348)	(97)
Finance expense	32	(2,539)	(6,710)
Finance income	32	2,842	4,652
Profit before taxes		**(4,159)**	**(15,679)**
Income tax	33	(847)	3,201
Net profit (loss) before minority interest		**(5,006)**	**(12,478)**
Minority interest		**(84)**	**230**
Group net profit (loss) for period		**(4,922)**	**(12,708)**
Base earnings (losses) per share	**14**	**(0.141)**	**(0.359)**
Diluted earnings (losses) per share	**14**	**(0.141)**	**(0.359)**

(*) Pursuant to Consob Resolution No. 15519 of 27 July 2006, the account "Asset impairment" includes non-ricurring trademark write down for Euro 10,770,000.

Statement of changes in shareholders' equity

(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Treasury shares	Profit (loss) for period	Group shareholders' equity	Minority interest capital & reserves	Profit (loss) of third parties	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2006	**8,751**	**39**	**134,789**	**(562)**	**(2,714)**	**(116)**	**572**	**140,759**	**39**	**8**	**47**	**140,806**
2006 Result allocation					572		(572)	-	8	(8)	-	-
Paid capital increase	128		1,611		-			1,739			-	1,739
Share-based payments					260			260			-	260
Hedge transactions					94			94			-	94
Exchange differences on equity												
investments in foreign companies					(2,152)			(2,152)			-	(2,152)
Offset tax effect posted directly to shareholders' equity					(2,572)	8		(2,564)			-	(2,564)
Minority purchase					(8,394)			(8,394)	2,502		2,502	(5,892)
Other changes				(3,416)		64		(3,352)			-	(3,352)
Profit (loss) as at							(4,922)	(4,922)		(85)	(85)	(5,007)
31 December 2007												
Balance as at December 31, 2007	**8,879**	**39**	**136,400**	**(3,978)**	**(14,906)**	**(44)**	**(4,922)**	**121,468**	**2,549**	**(85)**	**2,464**	**123,932**

(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Treasury shares	Profit (loss) for period	Group shareholders' equity	Minority interest capital & reserves	Profit (loss) of third parties	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2007	**8,879**	**39**	**136,400**	**(3,978)**	**(14,906)**	**(44)**	**(4,922)**	**121,468**	**2,549**	**(85)**	**2,464**	**123,932**
2007 Result allocation					(4,922)		4,922	-	(85)	85	-	-
Hedge transactions					(427)			(427)			-	(427)
Exchange differences on equity investments in foreign companies					1,048			1,048			-	1,048
Minority purchase					9,434			9,434	(52)		(52)	9,382
Other changes				16,540		(1,296)		15,244	772		772	16,016
Profit (loss) as at December 31, 2008							(12,708)	(12,708)		230	230	(12,478)
Balance as at December 31, 2008	**8,879**	**39**	**136,400**	**12,562**	**(9,773)**	**(1,340)**	**(12,708)**	**134,059**	**3,184**	**230**	**3,414**	**137,473**

Cash flow statement

CASH FLOW STATEMENT *(€'000)*		FY2007		FY 2008
CASH FLOWS GENERATED BY OPERATIONS:				
Group net profit		**(4,922)**		**(12,708)**
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:				
Minority interests		(84)		230
Depreciation & amortization intangible assets, property, plant and equipment		6,011		19,445
Write-down of receivables		232		332
Affiliated companies booked at equity		348		97
Cost for bringing up-to-date and exchange adjustment for put option		261		1,742
Stock option expenses		260		0
Provision for (use of) long-term employee severance indemnities		382		230
Provision for (use of) risk provision		(24)		576
(Provision for) / use of deferred tax asset / Provision for (use of) deferred tax liability		(1,175)		(2,230)
Changes in current assets and liabilities				
Trade receivables		1,773		(3,588)
Other current assets		5,820		(1,919)
Inventories and contracts in process		(599)		4,327
Trade payables		(6,223)		701
Other current liabilities		(3,059)		(1,185)
Total adjustments and changes		3,923		18,758
Cash flow generated (used) in operations		**(999)**		**6,050**
CASH FLOW FROM INVESTMENT ACTIVITIES:				
Sales of tangible and intangible assets		9		108
Interest income		2,672		1,805
Purchase of intangible fixed assets		(3,879)		(3,066)
Purchase of tangible fixed assets		(1,515)		(2,495)
Increases decreases other financial assets		0		(719)
Net investments in long-term investments and non-current assets		(12)		(301)
Business acquisition net of cash acquired:		(69,446)		(3,365)
Intangible assets	*(349)*		*0*	
Goodwill	*(54,094)*		*0*	
Trademark, customer relationship and order book	*(36,613)*		*0*	
Tangible assets	*(2,255)*		*0*	
Other non-current assets	*(3,728)*		*0*	
Current assets	*(27,797)*		*0*	
Provisions for risks & contingencies and employee severance indemnities	*1,556*		*0*	
Liabilities	*41,356*		*0*	
Equity attributable to minority interest	*2,478*		*0*	
Minority purchase	*(8,394)*		*9,434*	
Business combination liabilities	*18,395*		*(12,799)*	
Cash flow generated (used) in investment activities		**(72,170)**		**(8,033)**

CASH FLOW STATEMENT *(€'000)*	FY2007	FY 2008
CASH FLOW FROM FINANCING ACTIVITIES:		
Capital increases	1,739	0
Other changes in shareholders' equity	64	(1,296)
Minorty	0	(52)
Loans taken	15,200	158
Increases (decreases) short term loan	1,168	(1,110)
Repaid loans medium/long term	(7,333)	(14,376)
Cash flow generated (absorbed) by financial assets	**10,838**	**(16,676)**
Changes in the conversion difference	(679)	739
Increases (decreases) in cash & cash equivalents	**(63,010)**	**(17,920)**
Opening amount in cash & cash equivalents	**119,614**	**56,604**
Cash & cash equivalents at end of period	**56,604**	**38,684**
Interest paid	**1,628**	**4,027**
Income taxes paid	**2,392**	**5,780**

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 16 March 2009. 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 2008, 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.

All accounting standards are consistent with the ones adopted for the period ended 31 December 2007, except for the following new or revised IFRSs or IFRICs. 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:

- *IFRIC 12 – Service Concession Arrangements* – (mandatory application as of 1 January 2008 and not yet homologated by the European Union) governs cases and instances not applicable to Group business;
- *IFRIC 14/IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – this interpretation provides general guidelines on how to assess the limit established by IAS 19 on the amount of the surplus that can be recognised as an asset and explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. Adoption of this interpretation has had no effect on these financial statements;
- *IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures* – the amendments to these principles allow reclassification under certain circumstances of certain financial assets other than those "valued at fair value" in the income statement. The amendment also allows transfer of loans and credits from the accounting category "available for sale" to the category "held to maturity" if the company has the intention and the ability to hold these instruments for a certain future period. The amendment has had no effect on these financial statements.

Furthermore, the IASB has emanated the following principles or interpretations already adopted by the European Union, which the Group has not adopted in advance but the adoption of which is obligatory

for the accounting periods subsequent to 1 January 2009:

- *IAS 1 revised – Presentation of financial statements* – the new version of the standard requires that all changes generated by transactions with shareholders be set forth in the Statement of Changes to Shareholders' Equity. All transactions generated with third parties (comprehensive income) must be set forth in a single statement of comprehensive income or in two separate statements (income statement and statement of comprehensive income). In any event, the changes generated by third-party transactions cannot be recognised in the Statement of Changes to Shareholders' Equity. In addition, the standard requires that assets and liabilities arising from derivative financial instruments not held for trading be classified in the financial statements distinguishing between current and non-current assets and liabilities. Adoption of this standard will not have any effect on evaluation of the financial statement items;
- *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 will be applied as from the 2009 financial year and will not cause any accounting effects;
- *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 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 8 – Operating segments* – the standard requires companies to base the information given in the information disclosure on the elements that management uses to make its operating decisions. Therefore, it requires identification of the operating segments based on internal reports which are routinely reviewed by management in order to allocate resources to the segments and to make performance analyses. The Group believes that the operating segments identified under IFRS 8 coincide with the business segments identified according to the provisions of IAS 14 which reflected the Group's primary segmentation for reporting purposes by business segment and secondary segmentation by geographical segment;
- *IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance* – the standard establishes that the benefits from government loans at a below-market interest rate must be handled as government grant and therefore must follow the rules of recognition as set forth under IAS 20;
- *IAS 23 revised – Financial charges* – the new version of the standard calls for capitalisation of the financial charges that are directly attributed to acquisition, formation and production of a good which calls for a certain period of time before being ready for the intended use or for sale. The standard will be applicable to financial charges related to capitalised assets as of 1 January 2009. However, the Group does not foresee any future accounting impact following application of this standard;
- *IAS 27 revised – 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 is envisaged

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 to IAS 27 requires that all losses attributable to minority shareholders be allocated to minority interest, even whenthey exceed the minority interest in the subsidiary's capital. The new rules must be applied prospectively from 1 January 2010. At the date of these financial statements, the competent bodies of the European Union had not yet completed the necessary approval process for application of this amendment.

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 IFRSs 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 liabilities.

Discretionary evaluations

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:

Revenue recognition – sales 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 2008, the book value of goodwill was €74.900 million (in 2007: €67.593 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.

The analysis effected at the closing of financial year 2008 resulted in the decision by Eurotech management to discontinue use of the ADS (with a definite useful life) and Arcom (with a indefinite useful life) trademarks and followed the conversion of the American subsidiaries into a new entity Eurotech Inc., and determined the decision of the board members to write off Arcom and ADS trademarks for financial year 2008 for the combined sum of €10.8 million.

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.

Specifically, as at the balance sheet date of 31 December 2007, the Directors revised their estimate of recoverable deferred tax assets posted by the Parent Company as at 31 December 2007. This review resulted in the need to write down the total amount posted in prior year, for an amount not exceeding the deferred tax liabilities on some temporary deductible differences. Following this decision and based on the tax evolution during the fiscal year 2008, the carried amount of unrecognised tax losses of the Parent Company as at 31 December 2008 are in the amount of €11.407 million (2007: €4.565 million). In the Group the carried amount of unrecongnised tax losses are € 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 2008, the best estimate of carried amount of capitalised development costs was €4.869 million of which €953 million under construction (2007: €4.550 million of which €1.984 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 2008 and consolidated on a line-by-line basis are as follows

Company name	Registered office	Share capital	Group% ownership
Parent company			
Eurotech S.p.A.	Via Fratelli Solari, 3/A – Amaro (UD)	Euro 8.878.946	
Subsidiary companies consolidated line-by-line			
Parvus Corp.	Salt Lake City (USA)	USD 119.243	100,00%
Eurotech France S.A.S.	Venissieux Cedex (Francia)	Euro 795.522	100,00%
Eurotech Finland Oy	Helsinki (Finlandia)	Euro 508.431	100,00%
I.P.S. Sistemi Programmabili S.r.l.	Via Piave, 54 – Caronno Varesino (VA)	Euro 51.480	100,00%
Eurotech Ltd.	Cambridge (UK)	GBP 33.333	100,00%
E-Tech UK Ltd.	Cambridge (UK)	GBP 1	100,00%
E-Tech USA Inc.	Salt Lake City (USA)	USD 8.000.000	100,00%
Saee S.r.l.	Via Fratelli Solari, 5 – Amaro (UD)	Euro 15.500	100,00%
Eurotech Inc.	Columbia (USA)	USD 26.500.000	100,00%
EthLab S.r.l.	Via Dante, 78 – Trento	Euro 115.000	99,99%
Chengdu Vantron Technology Inc.	Chengdu (China)	USD 108.000	65,00%
Advanet Inc.	Okayama (Japan)	JPY 72.440.000	65,00% (1)
Spirit21 Inc.	Okayama (Japan)	JPY 10.000.000	65,00% (1)

(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%.

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

Affiliated companies consolidated at equity		
Delos S.r.l.	Via Roberto Cozzi, 53 – Milano	40,00%
eVS embedded Vision Systems S.r.l.	Ca' Vignal2, Strada Le Grazie 15 – Verona	32,00%
Emilab S.r.l.	Via Jacopo Linussio, 1 – Amaro (UD)	24,82%
U.T.R.I. S.p.A.	Via del Follatolo, 12 – Trieste	21,00%

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

- 29/01/2008: acquisition of a equity interest (3.05%) in the company UTRI Srl, thus achieving of a 21% interest;
- 01/04/2008: the Japanese company was merged by incorporation in the Japanese company Spirit21 Inc. Both companies were 100% owned by the direct parent company Advanet Inc.;

- 14/04/2008: the companies Applied Data Systems Inc. and Arcom Control Systems Inc. both changed their company names to Eurotech Inc. pending the merger, the accounting effects of which start on 01/07/2008;
- 27/06/2008: liquidation was completed of the Japanese company Advanet R&D Inc. which was 100% owned by Advanet Inc.;
- 11/09/2008 Eurotech S.p.A. sold the 48% share that it owned in Neuricam S.p.A.

E - Accounting standards and policies

Principles of consolidation

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 infragroup 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 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 2007	As of December 31, 2007	Average at 2008	As of December 31, 2008
British pound sterling (GBP)	0.68445	0.73335	0.79628	0.95250
Japanese Yen	163.19780	164.93000	152.45406	126.14000
Renmimbi	10.41877	10.75240	10.22361	9.49560
USA Dollar	1.37080	1.47210	1.47076	1.39170

The average 2007 exchange-rate for the Japanese Yen and for the Renmimbi are calculated from the date of the business aquisition

Accounting policies

The accounting standards and policies applied for preparation of consolidated financial statements as at 31 December 2008 are shown below.

Intangible fixed 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. 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 continuation of 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 revenues 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 excess of 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 goodwill acquired in a business combination, it 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 internal management; and

- is not the widest of the segments identifiable on the base or the primary or secondary outline of group reporting financial information by segment, determined based on the matters indicated under IAS 14 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 tangible assets. If the value recovered from the cash generating unit is less than the book value assigned to it, there is impairment. This impairment is not reinstated in the event that 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 charged to 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 it is technically practicable to complete the fixed asset so as to make it available for use or for sale, its intention to complete the fixed asset for use or for sale, the way in which it will probably generate future benefits, the availability of technical, financial and of all other resources needed to complete the asset and 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 (and no later than five years).
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 loss. Amortisation of the asset begins as soon as development is completed and the asset becomes available for use.
All other development costs are recorded 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. 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 asset may be impaired. Its useful life is reviewed on an annual basis.
Trademarks acquired through a business combination are recognised at their fair value measured at the acquisition date. Specifically, as a result of business combinations occurred in the past two years and

considering their business histories and brand awareness, the Arcom and Advanet brands were considered as having a useful indefinite life and the Applied Data System brand was considered as having a useful definite life.

The Costs of registration 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 having a definite life recognised within a business combination, such as customer relationships and orders portfolio, 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.
These 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.

Profits 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 booked to the income statement when the asset is eliminated.

Tangible assets

The value of property, plant and equipment is stated at the original cost, net of accumulated depreciation and including any direct accessory charges for making the asset operational for the use for which it was intended, augmented, 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).

Tangible assets are listed net of respective accumulated depreciation and any impairment determined according to the methods described below. Amortisation is calculated in constant shares, based on the estimated life of the asset for the company, which is revalued with annual frequency and adjusted for changes. 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 – 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 realizable value, the assets are written down to reflect their realizable value. The realizable 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 realizable 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. When the causes of impairment in previous financial years are no longer valid, the original value is reinstated.

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 method applied are reviewed annually and adjusted if necessary at the end of every financial year.

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. After applying the equity method, the Group determines whether it's necessary to recognise added impairment with reference to 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 books adjustments directly to shareholders' equity, the Group recognises its share and posts it, where applicable, in its statement of changes in shareholders' equity. Income arising from transactions between the Group and the affiliate is eliminated in proportion to the investment in the affiliate.
Affiliated companies end their financial year on the same date as the Group; the accounting principles used comply with the ones used by the Group, for transactions and events of the same nature and in similar circumstances.

Equity investment in others

Financial assets made up of equity investments in other companies, if their fair value cannot be measured at the balance-sheet date since shares are not listed on a stock exchange, are valued according to the purchase or subscription cost criteria, after deducting capital refunds, which are written down for impairment, determined using the methods described previously for tangible assets. Should the reasons for a write-down cease to exist, equity investments valued at cost are written back to the extent that they were previously written down, and the effect is recorded 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 the refunds in the capital amount, 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 determined by applying the average weighted purchase cost for each transaction, including all ancillary 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 the following 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

a contract's revenues and profits to 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 state of progress billed is booked respectively with liabilities or assets in the balance sheet.

Contract revenues, in addition to contract considerations, include changes, price revisions, 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 written down in case of impairment. Trade receivables, whose expiration date falls in the normal commercial terms, are not time-discounted and are booked at cost (identified by their nominal value), net of the respective losses of value, in 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 amortised cost may be impaired, the impairment loss amount is determined as the difference between the asset's carrying amount 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 amount of the asset shall be written down using a specific provision. The impairment loss amount shall be recognised in the income statement.
If, in any of the periods that follow the impairment loss amount is reduced and there is objective evidence that the reduction is due to an event occurred after the recognition of the impairment loss, the impairment loss may be reversed. Any impairment loss reversals are recognised in the income statement to the extent that the carrying amount 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 (such as, for instance, the default probability 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

According to IFRS, treasury shares purchased are deducted from shareholders' equity based on

the related cost. The purchase, sale, issuance 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 nominal value), which represents their fair value at the reference date.

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.

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; eventually, their fair value is redetermined 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:

a) at the beginning of the hedging transaction, if a formal designation exists and a hedging relationship report was prepared;
b) if the hedging relation is expected to be highly effective;
c) if the hedging relationship effectiveness can be reliably measured;
d) if the hedging relationship itself is highly effective in all accounting periods for which it was designated.

If derivative financial instruments are used for hedging 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 not meeting 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 takes the form of a guarantee on the transferred asset is values 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.
In the cases in which 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

The benefits guaranteed to employees, paid concurrent to or subsequent to ending the employment relationship through defined benefits programmes (employee severance indemnity accrued as at 31 December 2008 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 utilization of the corridor method for all actuarial gains or losses eventually incurred. All costs stemming from retrospective services are recognised with the straight-line method over an average timeframe, until the rights to benefits vest.

The indemnity leave accrued as from 1 January 2007 or the option date 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.

Share-based payments

Stock options are estimated at the fair value according to the binomial method, determined according to assignment date. The related cost is recorded in the income statement with payroll costs (if it relates to employees) or service costs (if it relates to directors) over the vesting period. Changes in fair value after the assignment date have no effect on initial valuation. The effect of the dilution of the options not yet exercised is reflected in the calculation of the dilution of the earnings per shares.

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 shown 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 asset plant and machinery account was recognised 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 offset. If the grant is related to any activity or development activity whose value is recognised as a fixed asset, it directly reduces the value of the fixed assets.

Operating grants (granted in order to provide immediate self-financing to the business or as compensation for expenses and losses incurred in a prior financial year) are recognised wholly to the income statement at the time when the conditions for posting are met.

Leasing

La definizione di un accordo contrattuale come operazione di leasing (o contenente un'operazione diA 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 lease contract's start date at the leased asset's fair value or, if lower, at the present value of lease payments. Lease payments are apportioned between principal and interest so as to achieve 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 reaasonably 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 those issued or essentially emanated at year-end.
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 the case in which:

- 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 to the extent where 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 offset 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

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., Spirit 21 Inc. and Vantec Inc.

Furthermore, upon the acquisition of Advanet Inc., the Eurotech Group entered into a parasocial agreement with its shareholding sellers in order to regulate relationships and the governance of Advanet Group.

This agreement included, inter alia, 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 Group shall have a right to purchase ("call option") 25% of Advanet Inc.'s share capital from minority shareholders, who in turn shall have the obligation to sell for a consideration calculated by applying a multiple of 8 times the Advanet Group's EBITDA as at 31 December 2009, net of the net financial position;
- minority shareholders shall have a right to sell ("put option") to Eurotech Group, who in turn shall have the obligation to buy, 25% of Advanet's share capital for a consideration calculated by applying a multiple of 8 times the Advanet Group's EBITDA as at 31 December 2009, net of the net financial position.

On the grounds of said agreement, in case both the call or put option should be exercised, Eurotech shall 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 thousand (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 thousand, 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 thousand. The amount recognised on the financial statements at 31 December 2008 was €7,025 thousand instead, which is €7,825 thousand less than the original, after accounting for interest of €247 thousand and an exchange loss of €1,495 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 €1,081 thousand.

Recalculation of the financial liability relating to the put option on the 25% minority share of the Advanent Inc. capital, combined with the final purchase price allocation, led to an overall increase of €9,434 thousand in shareholders' equity. 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 €8,357, consequently also the revised estimate was charged directly to shareholders' equity. The amount of €9,434 fully compensates for the €8,357 thousand recognised last year and €1,081 thousand reflects the difference between the recalculated price and the book value of the share of the net assets acquired by Advanet Inc..

Each remaining shareholder will have a right to sell the remaining 10% of Advanet shares to Eurotech after five years from the Closing date or, if earlier, at the date of termination of employment with Advanet Group for death or serious handicap, for a consideration equalling the market value of the shareholding to be determined based on an evaluation agreed upon by both parties or made by an independent professional.

During 2008 we also definitively revised allocation of this acquisition's purchase price via incorporation of the final data produced by the work of the expert appointed to make these valuations, in compliance with IFRS 3, at the fair value of the Advanet Group's identifiable assets and liabilities as at acquisition date. The revised amounts, except for assessment of the put option on 25% of the residual capital, are very close to those provisionally calculated when preparing annual financial statements for the year ended on 31 December 2007 and are as follows:

(€'000	Value recognized for acquisition	Book value
ASSETS		
Intangible assets	26,023	131
Property, Plant and equipment	1,798	1,798
Deferred tax assets	1,308	1,308
Other non-current assets	650	650
Total non current assets	**29,779**	**3,887**
Inventories	7,877	7,450
Trade receivables	7,002	7,002
Other current assets	6,296	6,296
Cash & cash equivalents	10,631	10,631
Totale current assets	**31,806**	**31,379**
Total assets	**61,585**	**35,266**
LIABILITIES		
Medium-/long-term borrowing	(9,180)	(9,180)
Employee benefit obligations	(561)	(561)
Deferred tax liabilities	(11,054)	0
Other non-current liabilities	(949)	(949)
Total non current liabilities	**(21,744)**	**(10,690)**
Trade payables	(7,327)	(7,327)
Short-term borrowings	(3,325)	(3,325)
Current tax liabilities	(2,881)	(2,881)
Other current liabilities	(1,896)	(1,896)
Total current liabilities	**(15,429)**	**(15,429)**
Total liabilities	**(37,173)**	**(26,119)**
Total liabilities and shareholders' equity	**(37,173)**	**(26,119)**
Fair value of net assets	***24,412***	
Part of Eurotech	**21,971**	
Goodwill generated by acquisition	**33,496**	
Acquisition of minority interests	**(1,081)**	
Cost of the Acquisition	**54,386**	

The total acquisition cost of €54,386 thousand differs from the cost that was provisionally determined at the time of acquisition in the previous year by €9,524 thousand. The difference is tied to the definition of €43 thousand in higher acquisition costs and the €9,567 thousand decrease in the financial liability for the put option.
The acquisition cost consisted of a cash payment for €47,287 thousand, directly attributable costs of €2,077 thousand, and recalculation of financial liabilities expressed at fair value booked against the put option on the minority stake, i.e. 25% of Advanet Inc. shares equalling €5,022 thousand.

Net liquidity currently used and the total amount earmarked for the acquisition, at the moment of its finalization, is as follows:

(€'000)	Liquidity used
Subsidiary's net liquidity	(10,631)
Cash payment	47,287
Acquisition costs	2,077
Net liquidity used	**38,733**
Financial liabilities related to the put option	**5,022**

Based on the information currently available, the amortisation plan for customer relationships has been determined as ten years, while with the brand an indefinite useful life was considered.

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, as already specifically mentioned. There are no significant intersegment transactions between these two business segments.
The Group's geographical segments are defined by the location of Group assets and operations. The geographical sectors identified are Italy, Other European Union nations, the United States, Japan and the Rest of the World.

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 2007 and 31 December 2008.

	NanoPC			High Performance Computer			Total		
(€'000)	FY2007	FY 2008	%YoY Chg	FY2007	FY 2008	%YoY Chg	FY2007	FY 2008	%YoY Chg
SALES AND SERVICE REVENUE BY SEGMENT									
Sales and service revenue by segment	74,385	91,413	22.9%	2,152	318	-85.2%	76,537	91,731	19.9%
Ebitda by segment	1,220	5,901	383.7%	677	20	-97.0%	1,897	5,921	212.1%
Ebit by segment	-4,784	-13,535	182.9%	670	11	-98.4%	-4,114	-13,524	228.7%
Total EBIT							-4,114	-13,524	228.7%
Net finance income (expense)							303	-2,058	-779.2%
Shares of associates' profit (loss)	-348	-97					-348	-97	-72.1%
Profit before tax of continuing operations							-4,159	-15,679	277.0%
Income tax							-847	3,201	-477.9%
Net profit (loss)							-5,006	-12,478	149.3%

Revenues of the nanoPCs business area came to €74,385 thousand in 2007 and €91,413 thousand in 2008 and reported a rise of 22.9%. This increase was entirely due to the inclusion of the Advanet Group in Eurotech for the entire year 2008 versus its inclusion for just two months in 2007.

Revenues of the HPC business area came to €2,152 thousand in 2007 and €318 thousand in 2008 and reported a loss of 85.2%. This change is due wholly to the reduction in revenues of the parent company.

	NanoPC		High Performance Computer		Total	
(€'000)	**FY2007**	**FY 2008**	**FY2007**	**FY 2008**	**FY2007**	**FY 2008**
ASSETS AND LIABILITES						
Segment assets	222,349	210,187	1,243	960	223,592	211,147
Investments in associate & other companies	1,039	1,124	0	0	1,039	1,124
Unallocated assets					2,477	1,967
Total assets	**223,388**	**211,311**	**1,243**	**960**	**227,108**	**214,238**
Segment liabilities	102,329	76,484	847	281	103,176	76,765
Unallocated liabiities					0	0
Total liabilities	**102,329**	**76,484**	**847**	**281**	**103,176**	**76,765**
OTHER SEGMENT INFORMATION						
Investments in tangible assets	1,409	2,495	57	0	1,466	2,495
Investments in intangible assets	3,780	2,783	110	283	3,890	3,066
Depreciation & amortisation	5,767	19,436	7	9	5,774	19,445

Geographical segments

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 2007 and 31 December 2008.

BREAKDOWN BY GEOGRAPHIC AREA	**FY2007**	**FY 2008**
Italy	11,313	8,424
European Union without Italy	12,960	13,229
United States	42,236	36,137
Japan	4,332	28,517
Rest of the World	5,696	5,424
TOTALE SALES AND SERVICE REVENUE	**76,537**	**91,731**

As regards the trend in sales broken down by geographical area shown in the schedule, note that the significant increase in sales in Japan was due to the different contribution that the Advanet Group has made in the two financial years.
The decrease in sales in North America in absolute values was due chiefly to the US dollar, which depreciation against the European currency significantly affected translation of dollar balances, and in part to the absorption (at least until 30 June 2008) of the resources involved in the merger of the American companies.

As regards Italy, the decrease in sales was due to stagnation on the specific sales markets in that area, for example, in the public transportation sector.

	Italy		France		USA		England		Japan		Rest of the World		Total	
(€'000)	FY2007	FY 2008	FY2007	FY 2008	FY2007	FY 2008	FY2007	FY 2008	FY2007	FY 2008	FY2007	FY 2008	FY2007	FY 2008
Other segment information														
Segment assets	37,444	41,920	4,076	4,407	74,992	51,777	16,555	10,218	91,819	103,180	1,183	1,612	226,069	213,114
Investments in associate & other companies	844	935	0	0	195	189	0	0	0	0	0	0	1,039	1,124
TOTAL ASSETS	**38,288**	**42,855**	**4,076**	**4,407**	**75,187**	**51,966**	**16,555**	**10,218**	**91,819**	**103,180**	**1,183**	**1,612**	**227,108**	**214,238**
Investments														
Tangible assets	792	385	39	8	245	184	346	35	35	1,863	9	20	1,466	2,495
Intangible assets	2,581	1,904	8	0	501	527	800	595	0	40	0	0	3,890	3,066
Financial investments	667	173	0	0	0	0	0	0	0	0	0	0	667	173

H - Composition of the principal asset captions

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 & ADVANCES	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Purchase or production cost	4,464	64,984	21,317	2,379	26,742	119,886
Previous years' impairment	(11)	(225)	-	(12)	-	(248)
Previous years' amortisation	(1,887)	(166)	(1,974)	-	(3,694)	(7,721)
OPENING BALANCE	**2,566**	**64,593**	**19,343**	**2,367**	**23,048**	**111,917**
Purchases	1,085	-	461	1,507	13	3,066
Disposals	-	-	(199)	-	-	(199)
Other changes	(134)	10,722	770	-	6,727	18,085
Impairment in period	(312)	(415)	(10,770)	(3)	-	(11,500)
Transfers	1,897	-	905	(2,802)	-	-
Amortisation in period	(1,244)	-	(1,163)	-	(3,916)	(6,323)
Reversal of cumulative amortisation	-	-	149	-	-	149
Other changes in cumulative impairment	12	-	328	-	-	340
Other changes in cumulative amortisation	46	-	(55)	-	(1,127)	(1,136)
TOTAL CHANGES	**1,350**	**10,307**	**(9,574)**	**(1,298)**	**1,697**	**2,482**
Purchase or production costs	7,312	75,706	23,254	1,084	33,482	140,838
Impairment	(311)	(640)	(10,442)	(15)	-	(11,408)
Cumulative amortisation	(3,085)	(166)	(3,043)	-	(8,737)	(15,031)
CLOSING BALANCE	**3,916**	**74,900**	**9,769**	**1,069**	**24,745**	**114,399**

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

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.

At 31 December 2008, after the decision made by Eurotech management in late-2008 to no longer use the ADS and Arcom brands, the former defined as having a definite life and amortised in ten years and the latter as having an indefinite life, and after completion of the transformation of the two United States subsidiaries into a new single entity called Eurotech Inc., the ADS and Arcom brands were written down in full in the year 2008, for a total value of €10,770 thousand.

The "Advanet" brand, which was booked in the previous year, is still defined by directors as an asset with a finite life, considering its economic characteristics and its position on the Japanese market. As a result, its use for commercial and production purposes has no time limits and 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 increase in the costs of development that relate 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 checks every time value loss is detected. During the year development costs capitalised in previous years were written down by € 315 thousand because they referred to products that did not achieve the market acceptance 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 item "Assets under construction" for €1,069 thousand is made up of €953 thousand in development costs (payroll and materials) related to the new products in the area of NanoPC units and systems including wearable PCs, which are still being developed at year-end or for which production has not started yet, and €116 thousand in acquisition at the end of the year of patents which can be used for the Group's activities.

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.

In the second part of the year, following the company reorganisation process which involved several Group subsidiaries, it became necessary to review and redefine the CGU in the Group in order to carry out the impairment tests on goodwill and assets with an indefinite useful life.

In particular, following the merger of Applied Data Systems Inc. and Arcom Inc. that led to the creation of Eurotech Inc. and the new position in the Group that was assigned to the English subsidiary Eurotech

Ltd (formerly Arcom Ltd), it became necessary to reallocate the cash flows of the former Arcom Group. These flows are no longer managed and monitored individually but attributed to the two new CGUs, Eurotech Inc. and Eurotech Ltd. Finally, when carrying out the impairment test, the "Arcom" brand with an indefinite useful life and the goodwill generated by acquisition of the Arcom Group were divided in this financial year between the cash generating units represented by the geographical areas where the two former Arcom companies operated, and in particular the United Kingdom and the United States, and thus to the United Kingdom and the United States, and thus Eurotech Ltd. and Eurotech Inc., respectively. The goodwill generated by the acquisition of Applied Data Systems Inc., including the goodwill for the acquisition of Chengdu Vantron Technology Inc., was allocated to the cash generating units represented by Eurotech Inc..

Finally, the goodwill generated by the acquisition of the Advanet Group and the "Advanet" brand, with an indefinite life, was allocated to the CGU of the Advanet Group.

	At December 31, 2007		At December 31, 2008	
CASH GENERATING UNITS	GOODWILL	TRADEMARK WITH AN INDEFINITE USEFUL LIFE	GOODWILL	TRADEMARK WITH AN INDEFINITE USEFUL LIFE
Advanet Group	33,430	7,007	44,210	8,395
Eurotech Inc. (ex Applied Data Systems and ex Arcom Inc.)	22,174	3,075	23,486	-
Eurotech Ltd. (ex Arcom Ltd.)	5,955	4,620	4,585	-
Eurotech France S.a.s.	1,051	-	1,051	-
I.P.S. sistemi Programmabili S.r.l.	367	-	-	-
Parvus Corp.	1,478	-	1,478	-
Saee s.r.l.	48	-	-	-
Other	90	-	90	-
TOTAL	**64,593**	**14,702**	**74,900**	**8,395**

The total recoverable amounts of the individual cash-generating units were determined based on the value of use. To calculate the respective value, the cash flow projections from the 2009-2011 economic and financial plan were used, approved by directors with the resolution passed on 27 February 2009, while cash flows beyond three years and for an unlimited time period were extrapolated, 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 2% (2007: 2%), less than the average long-term growth rate for the embedded PC segment forecast for the different reference markets. The discount rate applied to cash flows varies

with a range from 6.5% to 9.5%, calculated based on the country where the companies operate and the debt structure of each company.
The key parameters used for impairment tests are as follows:

	ITA	JAP	USA	FIN	FRA	UK
Risk free	4.67%	1.50%	3.50%	4.21%	4.20%	4.40%
Total Market Premium	6.50%	6.80%	5.00%	5.00%	5.00%	5.00%
- of which Country risk	1.50%	1.80%	-	-	-	-
Beta unlevered	0.974	0.974	0.974	0.974	0.974	0.974

The yield rates at the starting date of the budget reference period for 10-year government bonds was used for the risk free category.
The unlevered Beta of the parent company was used for all the considered CGUs.

The WACC of the individual CGUs 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 CGUs.
Considering the total write-down of the ADS and Arcom brands by €10.8 million, the assumptions made on the basis of the business and financial plans for 2009-2011 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. The recoverability of the values of non-current intangible assets resulting from acquisition of the Advanet Group 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 2% long-term growth is far below the assumption on the Japanese market for embedded PCs. In regard to the assumptions made in the three-year plan, it is expected that revenues will increase during the 2010 – 2011 financial years once recovery begins on the semiconductor market, and firming up of the prime margin reported for FY 2008. In any event, operating costs are consistent with the company's expected development and growth rate on the local market and in intercompany relations.

Following the impairment test, all of the goodwill generated upon acquisition of the subsidiary I.P.S. Sistemi Programmabili S.r.l. was written down by €367 thousand and the subsidiary SAEE S.r.l. by €48 thousand, as their current earnings prospects do not suggest the possibility of recovering it.

2 – Property, plant, and equipment

The following schedule shows evolution of the historical cost, cumulative depreciation, and valuations of property, plant, and equipment 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
Purchse of production cost	773	4,756	2,961	4,728	100	896	14,214
Depreciation	-	-	-	(67)	-	-	(67)
Previous year's depreciation	(60)	(2,295)	(2,293)	(2,589)	-	(173)	(7,410)
OPENING BALANCE	**713**	**2,461**	**668**	**2,072**	**100**	**723**	**6,737**
Purchases	-	1,001	242	1,224	28	-	2,495
Disposals	-	-	-	(108)	-	-	(108)
Other changes	-	1,038	50	130	-	-	1,218
Transfers	-	-	(639)	740	(101)	-	-
Depreciation in period	(15)	(586)	(334)	(662)	-	(25)	(1,622)
Reversal of cumulative depreciation	-	-		50	-	-	50
Other changes and transfers in cumulative depreciation	-	(732)	626	(779)	-	-	(885)
TOTAL CHANGES	**(15)**	**721**	**(55)**	**595**	**(73)**	**(25)**	**1,148**
Purchase or production cost	773	6,795	2,614	6,714	27	896	17,819
Depreciation	-	-	-	(67)	-	-	(67)
Cumulative depreciation	(75)	(3,613)	(2,001)	(3,980)	-	(198)	(9,867)
CLOSING BALANCE	**698**	**3,182**	**613**	**2,667**	**27**	**698**	**7,885**

The item "land and buildings", equal to €698 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 €1,001 thousand in the item "plant and machinery", of €242 thousand in "industrial and commercial equipment" and of €1,224 thousand in "other fixed assets" refer mainly to the investments made by the Japanese group for a new moulding machine and control of moulded circuits, the equipment necessary for the new plant where the company Spirit21 Inc. is moving, and generally to assets acquired to make the business more efficient and effective.
The item "fixed assets under lease" includes €698 thousand in the assets object of the lease contract, booked using the financial method, of which €4 thousand related to office fixtures and furniture and €694 thousand 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, 2008						
(€'000)	INITIAL VALUE	INCREASES	DECREASES	WRITE-UPS / WRITE-DOWN	OTHER	EOP VALUE	% OWNERSHIPI
Investments in associate companies:							
Emilab S.r.l.	26	-		-	-	26	24.82%
Delos S.r.l.	21	-	-	-	-	21	40.00%
Neuricam S.p.A.	59	-	(59)	-	-	-	0.00%
eVS embedded Vision Systems S.r.l.	3	-	-	-	-	3	32.00%
UTRI S.p.A.	-	164	-	-	661	825	21.00%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	**109**	**164**	**(59)**	**-**	**661**	**875**	
Investments in other companies:							
Cosint	3	-	(1)	-	-	2	
Consorzio nazionale fidi	1	-	(1)	-	-	-	
ALC Consortium	3	-	-	-		3	
Consorzio Ecor' IT	-	2	-	-	-	2	
Consorzio Aeneas	-	5	-	-	-	5	
Inasset S.r.l.	74	-	-	(38)	-	36	6.10%
Veneto Nanotech Scpa	10	-	-	-	-	10	
UTRI S.p.A.	661	-	-	-	(661)	-	
Kairos Autonomi	178	-	-	-	11	189	19.00%
Others	-	2	-	-	-	2	
TOTAL INVESTMENTS IN OTHER COMPANIES	**930**	**9**	**(2)**	**(38)**	**(650)**	**249**	
TOTAL INVESTMENTS	**1,039**	**173**	**(61)**	**(38)**	**11**	**1,124**	

At 31 December 2008 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.: pursuant to acquiring additional shares during the year, the percentage of ownership increased from 17.95% to 21% and as a result, was reclassified with shareholdings in associated companies.

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

In the year 2008, Eurotech S.p.A. sold the 48% share that it owned in Neuricam S.p.A.

The schedule below shows the values of the assets, liabilities, revenues and financial year results of the shareholdings in affiliated companies at 31 December 2007 and 2008:

	At December 31, 2007					At December 31, 2008				
(€'000)	Emilab	Delos	Neuricam	evS	TOTAL	Emilab	Delos	UTRI	evS	TOTAL
Share of the Associate's balance sheet:							(*)	(*)	(*)	
Current assets	156	158	1,072	62	1,448	386	158	1,352	62	1,958
Non current assets	132	139	417	20	708	224	139	2,083	20	2,466
Current liabilities	(144)	(208)	(1,102)	(64)	(1,518)	(393)	(208)	(2,228)	(64)	(2,893)
Non current liabilities	(2)	(4)	(93)	(7)	(106)	(7)	(4)	(355)	(7)	(373)
Net assets	**142**	**85**	**294**	**11**	**532**	**210**	**85**	**852**	**11**	**1,158**
Share of the Associate's revenue and profit										
Revenue	281	82	612	165	1,140	495	82	1,093	165	1,835
Profit (Loss)	40	(5)	(670)	0	(635)	69	(5)	71	0	135
Carrying amount of the investment	26	21	59	3	109	26	21	825	3	875

(*) FY2007

4 – Other non-current assets

The schedule below shows the composition of other non-current assets at 31 December 2007 and 31 December 2008:

(€'000)	FY2007	FY 2008
Other non-current receivables	630	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 2007 and at 31 December 2008:

(€'000)	FY2007	FY 2008
Raw & auxiliary materials and consumables - gross	6,716	7,647
Inventory write-down provision	(302)	(580)
Raw & auxiliary materials and consumables - net	6,414	7,067
Work in process and semi-finished goods	7,342	8,005
Finished poducts and goods for resale - gross	8,793	5,513
Inventory write-down provision	(635)	(830)
Finished products and goods for resale - net	8,158	4,683
Advances	215	28
TOTAL INVENTORIES	**22,129**	**19,783**

Inventories at 31 December 2008 amount to €19,783 thousand, net of inventory losses for a total of €1,410 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)	FY2007	FY 2008
OPENING BALANCE	**646**	**937**
Provisions	845	1,562
Utilization	(585)	(1,135)
Other changes	31	46
CLOSING BALANCE	**937**	**1,410**

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 €580 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 contracts in progress at 31 December 2007 and 31 December 2008:

(€'000)	FY2007	FY 2008
Contract revenues recognised as revenue in the period	2,364	14
Contract costs bome as at balance-sheet date	1,349	8
Profits recognised as at balance-sheet date	**1,015**	**6**
Down payments received	24	0
Gross amount owed by customer for contractual work	2,364	383
Contract costs and proits recognised as at balance-sheet date	2,364	14
Revenues recognised in previous periods	0	631
Billing based on completion status	0	262
Gross amount owed by customer for contractual work	**2,364**	**383**

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 2007 and 31 December 2008:

(€'000)	FY2007	FY 2008
Trade receivables - customers	19,271	22,516
Doubtful debt provision	(464)	(453)
TOTAL TRADE RECEIVABLES	**18,807**	**22,063**

We point out that, as at balance sheet date, the Group did not feature significant concentrations of credit risk. Trade receivables collectable within 12 months are normally non-interest bearing and generally fall due at 90/120 days.
Trade receivables increased with respect to 31 December 2007 by €3,256 thousand. This increase was mainly due to the concentration of revenue in the last months of 2008 versus a more equitable distribution in the previous year. Receivables include some € 753 thousand of cash orders presented subject to collection but not yet due at the end of the reporting period.

In 2007 and 2008, the parent company executed factoring of receivables that set forth transfer of the risk and benefits to premier financial counterparties. The respective amount that did not expire at 31 December 2008 amounted to €2,161 thousand (€3,834 thousand at 31 December 2007).

Receivables are shown net of doubtful debt provision of €453 thousand. Changes in the allowance for doubtful accounts in the years considered were as follows:

CHANGES IN CUMULATIVE DOUBTFUL DEBT PROVISION (€ '000)	FY2007	FY 2008
OPENING BALANCE	96	464
Provisioning	232	332
Other changes	178	116
Utilisation	(42)	(459)
CLOSING BALANCE	464	453

Provisions made during the financial year of €332 thousand were made necessary to adjust the value of individual receivables to their presumed realisable value. The policy of the Group 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 into other currency.
The decrease in the provision of €459 thousand refers to its use in writing down receivables that have become uncollectable.

As at 31 December, the 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
2007	18,807	13,392	2,348	1,163	595	645	664
2008	22,063	14,311	3,066	2,808	579	127	1,172

The increase in receivables that were more than 180 days delinquent but not written down during 2008 as compared with 2008 stems principally from protests at the end of the financial year. However, these were settled in early 2009 and the receivable has been collected.

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.
Payables for income taxes 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 €1,450 thousand (2006: €2,077 thousand), while Italian tax payables amounted to €11 thousand (2007: €35 thousand).
Payables and receivables for income taxes are offset 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 2007 and 31 December 2008:

(€'000)	FY2007	FY 2008
Amounts receivable for grants	61	651
Advance payments to suppliers	140	104
Tax receivables	1,527	309
Other receivables	466	740
Accrued income and prepaid expenses	599	988
TOTAL OTHER CURRENT ASSETS	**2,793**	**2,792**

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 consulting activity for expansion abroad for development of new products and technologies, carried out in the year in progress and in previous years, which was partly capitalized.

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 following schedule shows the composition of cash and banks at 31 December 2007 and at 31 December 2008:

(€'000)	FY2007	FY 2008
Bank and post office deposits	56,532	38,640
Cash and valuables in hand	72	44
TOTAL CASH & CASH EQUIVALENTS	**56,604**	**38,684**

Bank deposits are mostly on demand and are remunerated at a variable rate of interest. The fair value of cash & cash equivalents was €38,684 thousand (vs. €56,604 thousand as at 31 December 2007).

Cash and cash equivalents decreased by €17,950 thousand vs. 31 December 2007 due largely to cash utilised to pay off loan installments before the due date, short-term portions paid on medium- to long-term loans, and partial extinguishment of debts resulting from business combinations.

Note that cash and cash equivalents of €1,024 thousand are restricted by an escrow against the outstanding payable for acquisition of ex-Applied Data Systems Inc. (€2,829 thousand at 31 December 2007).

11 – Other current assets

The item "other financial assets" for €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. The loan falls due in the first half of 2009.

12 – Net financial position

The Group's net financial position at 31 December 2007 and 31 December 2008 is as follows:

(€'000)		at December 31, 2007	at December 31, 2008
Cash & cash equivalents	A	(56,604)	(38,684)
Cash equivalent	**B=A**	**(56,604)**	**(38,684)**
Other current financial assets	C	0	(719)
Derivative instruments	D	(82)	346
Short-term borrowing	E	9,787	5,782
Business aggregation liabilities	F	3,242	0
Short-term financial position	**G=C+D+E+F**	**12,947**	**5,409**
Short-term net financial position	**H=B+G**	**(43,657)**	**(33,275)**
Business aggregation liabilities	I	15,864	8,049
Medium-/long-term borrowing	J	34,172	24,654
Medium-/long-term net financial position	**K=I+J**	**50,036**	**32,703**
NET FINANCIAL POSITION	**L=H+K**	**6,379**	**(572)**

The financial position, positive for € 573 thousand, at 31 December 2008 is affected by reporting payables for business combinations for a total of €8,049 thousand, due chiefly to reporting the put option for acquisition of 25% of the shares in the Japanese Advanet Inc for €7,025 thousand and the outstanding payable to former shareholders of Applied Data Systems Inc. for €1,024 thousand (€14,850 thousand and €2,829 thousand respectively at 31 December 2007).

13 – Shareholders' equity

The following schedule shows the breakdown of shareholders' equity at 31 December 2007 and at 31 December 2008:

(€'000)	at December 31, 2007	at December 31, 2008
Share capital	8,879	8,879
Reserves	117,510	137,888
Net profit (loss) for period	(4,922)	(12,708)
Group shareholders' equity	**121,467**	**134,059**
Minority capital and reserves	2,549	3,184
Minority profit (loss) for period	(84)	230
Equity attributable to minority interest	**2,465**	**3,414**
Total shareholders' equity	**123,932**	**137,473**

Share capital at 31 December 2008 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 2008 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 €12,562 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., the Chinese subsidiary Chengdu Vantron Technology Ltd., and the Japanese subsidiaries of the Advanet Group.

The item "Other reserves" is negative for €9,773 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 took place in this reserve in the period in question for: (i) recognition as per IAS 39 of the financial hedge transactions for €427 thousand, gross of the unrecognised fiscal effect; and (iii) recognition as per IAS 21 of €1,048 thousand in exchange losses on intercompany loans in currency which represent part of a net investment in a foreign operation, gross of the unrecognised fiscal effect; (iii) 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 €9,434 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 €9,434 fully offsets the €8,357 thousand recognised a year earlier and reflects a €1,081 thousand negative difference at the time of acquisition between the recalculated price and the book value of the portion of acquired Advanet Inc net assets.

The parent company Eurotech S.p.A held 420,140 treasury shares at the end of the year (at the end of 2007 it held 6,300). The respective transactions had no effect on the income statement. Between October and early November 2008, the Board of Directors implemented the shareholders' resolution dated 7 May 2007 by acquiring 413,840 treasury shares at an average price per share of €3.13.

The portion of equity attributable to minority interest consists of the share of equity and results belonging to minority shareholders in the subsidiaries Chengdu Vantron Technology Inc., Advanet Inc. and Spirit21 Inc. At 31 December 2008, the total was €3,414 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 observed in FY 2007 and 2008 that diluted earnings per share.

Diluted earnings (losses) per share are calculated by dividing the net result attributable to ordinary shareholders of the parent company by the weighted-average number of ordinary shares outstanding during the year and those potentially arising from the stock option plan reserved to employees and directors of the company and its subsidiaries (related to 2007).

Below we show earnings and information on the shares used to calculate basic and diluted EPS.

	at December 31, 2007	at December 31, 2008
Net income (loss) attributable to parent company shareholders	(4,922,000)	(12,708,000)
Weighted average number of ordinary shares including own shares	35,032,447	35,515,784
Own shares	(6,300)	(78,543)
Weighted average number of ordinary shares except own shares	35,026,147	35,437,241
Net income (loss):		
- per share	(0.141)	(0.359)
- per share diluted	(0.141)	(0.359)

15 - Borrowings

The schedule below shows the division of medium- to long-term financial payables at 31 December 2008:

LENDER	COMPANY	BALANCE ON 31.12.2007	BALANCE ON 31.12.2008	SHORT TERM within 12 months	TOTAL MEDIUM and long-term	MID TERM Over 12 months	LONG TERM Over 5 yearsi
CURRENT OUTSTANDINGS - (a)		**1,445**	**335**	**335**	**-**	**-**	**-**
SIMEST	Eurotech S.p.A.	116	69	46	23	23	-
Finance Lease	Eurotech S.p.A.	621	531	94	437	437	-
Anvar	Eurotech France	365	365	-	365	365	-
TOTAL OTHER FINANCINGS - (b)		**1,102**	**965**	**140**	**825**	**825**	**-**
Banco di Brescia	Saee S.r.l.	20	9	9	-	-	-
Total Gruppo Banca Lombardia		***20***	***9***	***9***	***-***	***-***	***-***
Banca Pop. Friuladria	Eurotech S.p.A.	13,000	11,000	2,000	9,000	8,000	1,000
Total Credit Agricole		***13,000***	***11,000***	***2,000***	***9,000***	***8,000***	***1,000***
Veneto Banca	Eurotech S.p.A.	1,084	796	306	490	490	-
Total Veneto Banca		***1,084***	***796***	***306***	***490***	***490***	***-***
Banca Intesa	Eurotech S.p.A.	177	-	-	-	-	-
Banca Intesa	I.P.S. Sist.Progr. S.r.l.	80	48	39	9	9	-
Friulcassa	Eurotech S.p.A.	161	-	-	-	-	-
Total Gruppo INTESA - SAN PAOLO		***418***	***48***	***39***	***9***	***9***	***-***
The Chugoku Bank Ltd	Advanet	4,470	3,273	998	2,275	2,275	-
The Chugoku Bank Ltd	Vantec	1,261	-	-	-	-	-
The Chugoku Bank Ltd	Advanet R&D	118	-	-	-	-	-
Total The Chugoku Bank Ltd		***5,849***	***3,273***	***998***	***2,275***	***2,275***	***-***
Tomato Bank Ltd	Vantec	1,121	-	-	-	-	-
Total Tomato Bank Ltd.		***1,121***	***-***	***-***	***-***	***-***	***-***
Mizuho Bank Ltd	Advanet	151	-	-	-	-	
Mizuho Bank Ltd	Vantec	555	-	-	-	-	
Total Mizuho Bank Ltd.		***706***	***-***	***-***	***-***	***-***	
The Bank of Tokio- Mitsubishi UFJ Ltd	Advanet	2,850	-	-	-	-	
The Bank of Tokio- Mitsubishi UFJ Ltd	Spirit 21	727	-	-	-	-	
Total The Bank of Tokio-Mitsubishi UFJ Ltd.		***3,577***	***-***	***-***	***-***	***-***	
Unicredit	EthLab S.r.l.	200	165	38	127	127	
Unicredit	Eurotech S.p.A.	15,425	13,680	1,753	11,927	7,482	4,445
Total Gruppo Unicredit		***15,625***	***13,845***	***1,791***	***12,054***	***7,609***	***4,445***
Crédite Lyonnais	Eurotech France	12	6	6	-	-	-
Chengdu Commercial Bank	Chengdu Vantron Tech.Inc.	-	158	158	-	-	-
TOTAL BANK DEBT - (c)		**41,412**	**29,135**	**5,307**	**23,828**	**18,384**	**5,445**
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		**42,514**	**30,100**	**5,447**	**24,654**	**19,209**	**5,445**
TOTAL DEBT - [(a) + (b) + (c)]		**43,959**	**30,435**	**5,782**	**24,654**	**19,209**	**5,445**

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 €69 thousand (including €23 thousand due in the medium-long term) due in 2010, against the costs incurred to open the representative office in Shanghai, China;
- a residual debt in the amount of €531 thousand (€437 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 by SIMEST to the parent company for €69 thousand (of which €23 thousand medium- to long-term) falling due in 2010, against costs incurred for opening the representational office in Shanghai (China);
- a zero-rate loan granted to the subsidiary Eurotech France S.a.s. for €365 thousand (of which €365 thousand medium- to long-term) falling due in 2014, against development and research carried out.

Bank loans

Bank loans refer mainly to:

- a loan granted to the parent company by Banca Popolare Friuladria for €11 million (of which €9 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 by incorporation in 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), all of which were honoured at year-end 2008, regard 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 Unicredit for €83 thousand to the parent company expiring in 2009 in order to restructure short-term debt;
- a loan granted by Veneto Banca to the parent company for €796 thousand (of which €490 thousand medium- to long-term) expiring in 2011 against the investment made to acquire the Arcom Group companies;
- a mortgage loan for €10 thousand (considered collectable by year-end) secured by a mortgage on the building granted by Banca Intesa to the subsidiary I.P.S. Sistemi Programmabili S.r.l.;
- a loan in the amount of €38 thousand (of which €8 thousand medium- to long-term) granted by Banca Intesa to the subsidiary I.P.S. Sistemi Programmabili S.r.l. with an expiration date of 2010;
- a loan granted by Unicredit for €105 thousand to the parent company during the year (of which €35 thousand medium- to long-term) with expiration in 2010 in order to finance development of new products;

- a loan granted by Unicredit for €165 thousand to the subsidiary EthLab S.r.l. during the year (of which €127 thousand medium- to long-term) with expiration in 2012 in order to finance the development of new products;
- a loan incurred with Unicredit for €13,492 thousand (of which €11,892 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.), possibly through a subsidiary. 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, all of which were honoured at year-end 2008, regard the ratio between net debt and shareholders' equity, net debt and EBITDA, financial charges and taxes;
- three loans granted by Banco di Brescia for a total of €9 thousand, falling due in 2009, to the subsidiary Saee S.r.l. for operations;
- several loans granted to Advanet Inc. by The Chugoku Bank Ltd. for a total of €3,271 thousand (€2,274 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.

16 - Employee benefits

The schedule below shows the composition of employee benefits at 31 December 2007 and 31 December 2008:

(€'000)	FY2007	FY 2008
Employees' leaving indemnity	532	470
Foreing Employees' leaving indemnity	892	1,176
Employees' retirement fund	88	96
TOTAL EMPLOYEES' BENEFITS	**1,512**	**1,742**

Defined benefits plans

The schedule below shows changes in defined benefits plans at 31 December 2007 and 31 December 2008:

	Defined benefit plans			
	Italy		Japan	
(€ '000)	12/31/2006	12/31/2008	12/31/2007	12/31/2008
Liabilities at start of period	**490**	**532**	**0**	**892**
Curtailment effect	(121)	0	0	0
Cost relating to present service	62	26	16	100
Finance expense	8	17	3	17
Business combination	0	0	908	0
Other changes	0	0	0	299
Benefits paid out	(64)	(105)	(35)	(132)
Actuarial loss (gain) reconised	157	0	0	0
Liabilities at end of period	**532**	**470**	**892**	**1,176**

The defined benefits plans in force in Italy refer exclusively to employee severance indemnity. With adoption of the new International Accounting Standards (IASs), and especially IAS 19, employee severance indemnity is considered a defined benefit obligation whereby the liability is measured based on actuarial techniques. The pension plans in Japan are also considered as such and as a result, with the business combination taking place in the year, the company proceeded to value the related liability based on the IAS 19.

Pursuant to the changes made to employee severance indemnity by Law 296 of 27 December 2006 ("Financial law 2007") and subsequent decrees and regulations emanated in the early months of 2007, other significant changes in the regulations of the employee pension system have been introduced.
By effect of these changes, the difference between the actuarial value found at year-end 2006 and the value in the new actuarial calculation made at the same date is reported in the income statement (including previously unreported actuarial gains and losses due to application of the corridor method).

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 at 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 handling of this pension fund is assimilated to the fund in effect for contribution payments of another nature.

The key assumptions used in determining the current value of severance indemnities are illustrated below:

ACTUARIAL ASSUMPTION	Defined benefit plans			
	Italy		Japan	
(€ '000)	12/31/2007	12/31/2008	12/31/2007	12/31/2008
Discount Rate	4.83%	4.83%	1.80%	1.60%
Expected rates of future wages and salary increases	2.83%	2.83%	1.00%	1.00%
Expected rates of staff turnover	11.70%	10.00%	5.00%	1.00%
Duration	21	23	37	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	Defined benefit plans			
	Italy		Japan	
(€ '000)	12/31/2007	12/31/2008	12/31/2007	12/31/2008
Projected benefit obligation at January 1,	655	554	0	892
Curtailment effect	(121)	0	0	0
Current Service cost	62	26	16	100
Interest cost	8	17	3	17
Business combination	0	0	908	0
Other changes	0	0	0	299
Pensions paid	(64)	(105)	(35)	(132)
Actuarial gains or losses	14	9	0	62
Projected benefit obligation at December 31	**554**	**501**	**892**	**1,238**

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'	Defined benefit plans			
	Italy		Japan	
(€ '000)	12/31/2007	12/31/2008	12/31/2007	12/31/2008
Unrecognized actuarial gains or losses at January 1	165	22	9	0
Corridor at January 1	53	55	0	89
Difference (A)*	**0**	**0**	**9**	**0**
Duration	21	23	37	21
Recognized actuarial gains or losses (A/B)	0	0	0	0
Unrecognized actuarial gains or losses at January 1	165	22	8	0
Business combination	0	0	0	0
Actuarial gains or losses per year	14	9	0	62
Subtotal	**179**	**31**	**8**	**62**
Recognized actuarial gains or losses	157	0	0	0
Unrecognized actuarial gains or losses at December 31	**22**	**31**	**8**	**62**

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.

	Defined benefit plans			
	Italy		Japan	
(€ '000)	12/31/2006	12/31/2008	12/31/2007	12/31/2008
Projected benefit obligation	554	501	892	1,238
Unrecognized actuarial gains or losses	22	31	8	62
Provisions for pensions charged to balance sheet	**532**	**470**	**884**	**1,176**
Current Service cost	62	26	15	100
Curtailment effect	(121)	0	0	0
Interest cost	8	17	3	17
Recognized actuarial gains or losses	157	0	0	0
Costs charged to income statement	**106**	**43**	**18**	**117**

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 IFRSs, 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 changes in the employee severance reserve at 31 December 2007 and 31 December 2008:

EMPLOYEES' RETIREMENT FUND *(€'000)*	FY2007	FY 2008
JANUARY 1,	78	88
Provision	10	8
Utilization	-	-
Discounting back / Actuarial value	-	-
RESERVE AT THE END OF THE PERIOD	88	96

17 - Share-based payments

Stock option plan for employees and directors

The original stock option plan dated 30 November 2005 expired on 28 December 2007. There are no other stock option plans in effect at this time.

The schedule below provides the number of options on shares related to the stock option plan illustrated above:

	2007		2008	
	No. Options	Average exercise price	No. Options	Average exercise price
Outstanding at start period	517,500	-	-	-
Granted during period	-	-	-	-
Cancelled during period	(6,000)	-	-	-
Exercised during period	(511,500)	3.40	-	-
Expired during period	-	-	-	-
Outstanding at end of period	-	-	-	-
Exercisable at end of period	-	-	-	-

In 2008, there were no effects on the income statement. In 2007 the total cost of the share-based payment described above, equal to €260 thousand, was accounted for in the income statement, respectively for €82 thousand among personnel costs and €178 thousand among administrative costs, with the compensation recognised directly in shareholders' equity.

18 - Reserve for risks and charges

The schedule below shows the breakdown of the reserve for risks and charges at 31 December 2007 and 31 December 2008:

(€'000)	FY2007	FY 2008
Selling agents' commission fund	32	39
Director termination fund	553	557
Guarantee reserve	374	544
Generic risk reserves	30	216
Busting depreciable asset	356	565
TOTAL FUNDS FOR COSTS AND FUTURE RISKS	**1,345**	**1,921**

Cumulative provision for agent termination indemnity obligation

The "Cumulative provision for agent termination indemnity obligation" is allocated based on the amounts envisaged by legislation and collective economic agreements regarding situations of interruption in the mandate given to agents. This foresees that the effect of time discounting the share of liabilities that will be liquidated beyond the next year is not 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 pertinent share. In 2008, 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-fulfillment 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.

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:

SELLING AGENTS' COMMISSION FUND *(€'000)*	FY2007	FY 2008
JANUARY 1,	26	32
Provision	7	7
Utilization	(1)	-
RESERVE AT THE END OF THE PERIOD	32	39

DIRECTOR TERMINATION FUND *(€'000)*	FY2007	FY 2008
JANUARY 1,	104	553
Provision	81	88
Other	368	127
Utilization	-	(211)
RESERVE AT THE END OF THE PERIOD	553	557

GUARANTEE RESERVE *(€'000)*	FY2007	FY 2008
JANUARY 1,	178	374
Provision	147	272
Other	75	1
Utilization	(26)	(103)
RESERVE AT THE END OF THE PERIOD	374	544

GENERIC RISK *(€'000)*	FY2007	FY 2008
JANUARY 1,	66	30
Provision	0	211
Other	0	(5)
Utilization	(36)	(20)
RESERVE AT THE END OF THE PERIOD	30	216

BUSTING DEPRECIABLE ASSET *(€'000)*	FY2007	FY 2008
JANUARY 1,	0	356
Other	355	199
Discounting back / Actuarial value	1	10
RESERVE AT THE END OF THE PERIOD	356	565

19- Trade payables

The schedule below shows the composition of trade payables at 31 December 2007 and 31 December 2008:

(€'000)	FY2007	FY 2008
Third parties	14,486	15,207
Affiliate companies	20	0
TOTAL TRADE PAYABLES	**14,506**	**15,207**

Trade payables at 31 December 2008 came to €15,207 thousand, posting an increase of €701 thousand with respect to 31 December 2007.
Trade payables are non-interest bearing and, on average, are settled 90-120 days after invoice date.

20 - Payables for business combinations

Payables for business combinations amounted to €8,049 thousand, all of which are non-current. The amount breaks down as follows:

- the fair value of financial liabilities is €7,025 thousand against the put option on the 25% share of the securities of Advanet Inc. to be exercised in the early months of 2010. For more information, see the provisions of paragraph F;
- a residual warranty debt of € 1,024 thousand vis-à-vis shareholders of Applied Data Systems Inc. (now Eurotech Inc.) for the part of the price bound to an escrow account.

21 - Other current liabilities

The schedule below shows the composition of other current liabilities at 31 December 2007 and 31 December 2008.

(€'000)	FY2007	FY 2008
Social contributions	804	780
Other	3,627	3,478
Other tax liabilities	722	597
Accrued expanses	428	192
TOTAL OTHER CURRENT LIABILITIES	**5,581**	**5,047**

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 2007 and 31 December 2008.

(€'000)	FY2007	FY 2008
Employees	1,613	1,180
Vacation pay	518	533
Directors	69	30
Advances on contracts in progress	24	0
Advances from customers	121	150
Grants advances	277	586
Other	1,005	999
TOTAL OTHER PAYABLES	**3,627**	**3,478**

Amounts payable to employees refer to salaries and wages for the month of December 2008 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 €150 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.

22 - Commitments and guarantees

Operating lease commitments – Group as tenant

The Group has opened 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 2008 are as follows:

(€'000)	at December 31, 2007	at December 31, 2008
Within 12 months	975	1,219
Over 12 months but within five years	1,517	1,565
Over 5 years	-	-

Warranties

Il Gruppo Eurotech ha le seguenti passività potenziali al 31 dicembre 2008:

- the building owned by the subsidiary I.P.S. Sistemi Programmabili S.r.l. as collateral against the loan granted by Banca Intesa to the subsidiary for its purchase. The mortgage amount was €310 thousand;
- a number of credit institutions have granted sureties to Group companies for a total of €863 thousand.

I - Breakdown of key income statement items

23 - Costs of raw & auxiliary materials and consumables used

(€'000)	FY2007	FY2008
Purchases of raw materials, semi-finished and finished products	38,909	35,987
Changes in inventories of raw materials	514	3,770
Change in inventories of semi-finished and finished products	(999)	1,563
TOTAL COST OF MATERIALS	**38,424**	**41,320**

La The item "Costs for raw & auxiliary materials and consumables" posted a marked increase. This increase was due both to the new business combinations and the increase in sales volumes.

24 - Other operating costs

(€'000)	FY2007	FY2008
Service costs	14,797	17,268
Rent and leases	1,439	2,124
Payroll	22,583	27,433
Accruals and other costs	844	1,289
Cost adjustments for in-house generation of non-current assets	(3,061)	(1,989)
OTHER OPERATING COSTS NET OF COST ADJUSTMENTS	**36,602**	**46,125**

25 - Costs for services

(€'000)	FY2007	FY2008
Industrial services	4,265	4,712
Commercial services	3,514	4,007
General and administrative costs	7,018	8,549
TOTAL COSTS OF SERVICES	**14,797**	**17,268**

In the periods considered, costs of services posted a marked increase, chiefly due to the different contribution that the Japanese Group made on consolidation in the two financial years.

26 - Lease & hire costs

Lease and hire costs increased from €1,439 thousand at 31 December 2007 to €2,124 thousand at 31 December 2008.

While primarily related to the different impact that the Advanet Group has made in the two financial years, the increase was also due to the higher cost of leasing production and administration/sales buildings incurred by several Group companies.

27 - Payroll costs

(€'000)	FY2007	FY2008
Wages, salaries, and Social Security	22,095	26,939
Severance indemnities	261	368
Retirement benefits and similar obligations	25	8
Other costs	202	118
TOTAL COST OF PERSONNEL	**22,583**	**27,433**

The item includes payroll costs which in the period in question reported a marked increase due, as specified several times, to the changed percentage of costs of the Advanet Group on the two financial years, which more than compensated for the decreased cost of personnel in other Group companies. This cost decrease, seen in the different number of employees in the two years, is a direct result of the merger of the United States company and streamlining being done in the European companies.

As shown in the table below, the number of Group employees decreased at the end of the periods considered, rising from 624 in 2007 to 586 in 2008.

EMPLOYEES	FY2007	Average 2007	FY2008	Average 2008
Management	2	2.5	2	2.0
Clerical workers	550	370	488	524.4
Line workers	72	74.5	96	73.2
TOTAL	**624**	**447.0**	**586**	**599.6**

28 - Other provisions and costs

(€'000)	FY2007	FY2008
Doubful debt provision	232	332
Other Provisions	121	578
Other costs	491	379
TOTAL ACCRUALS AND OTHER COSTS	**844**	**1,289**

The amounts in the item "Allowance for doubtful accounts" refer to provisions made in the periods in question to the respective reserve to represent receivables at their realisable value. The item "provisions" includes provision for product warranties and other risks and legal disputes.

29 - Other revenues

(€'000)	FY2007	FY2008
Government grants	70	1,096
Other revenues	316	539
TOTAL OTHER REVENUE	**386**	**1,635**

These entries refer mainly to research and development activities which receive funding from local governments and activities carried out in the past by consultants for the internationalization process of the parent company.

30 – Cost adjustments for internally generated non-current assets

The item "in-house generation of non-current assets" at 31 December 2008 (equal to €1,989 thousand) refers to €746 thousand in capitalised costs of in-house personnel and materials incurred by the parent company for a number of new product development projects in the area of computers, systems, NanoPC and wearable PC units; to €414 thousand for the costs incurred in-house to design a new board for a new low-consumption processor; to €695 thousand for the costs incurred by the subsidiary Eurotech Ltd. for realisation of new systems (of which €339 thousand for the HPC strategic business unit); to €11 thousand for personnel costs incurred by the subsidiary EthLab s.r.l.; to €64 thousand incurred by the subsidiary I.P.S. Sistemi Programmabili S.r.l. primarily for personnel costs; and to €59 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 €1,111 thousand in payroll costs, €808 thousand in costs for services, and €70 thousand for the cost of materials.

31 - Amortisation, depreciation and write-downs

(€'000)	FY2007	FY2008
Amortisation of intangile assets	4,685	6,323
Amortisation of property, plant and equipment	1,089	1,622
Write-down of fixed assets	237	11,500
TOTAL AMORTISATION AND DEPRECIATION	**6,011**	**19,445**

This change was due mainly to the effects of the purchase price allocation and the write down of intangible fixed assets as well as depreciation and amortisation generated by the investments made during the year. The write-downs mainly relate to the Arcom brand for €7,332 thousand and the ADS brand for €3,438 thousand, which were fully written down following reorganisation in 2008 of the American subsidiaries, the former Applied Data Systems Inc. and former Arcom Control Systems Inc.. Amortisation and depreciation relating to the price allocation refer to customer relationships (for €2,682 thousand), brands (€424 thousand), and the order book (€1,098 thousand).

32 – Finance income and expense

(€'000)	FY2007	FY2008
Exchange-rate losses	774	2,436
Exchange-rate losses from PUT option	137	1,495
Interest expenses	1,377	2,390
Interest expenses due to the discounting	124	247
Expenses on derivatives	126	65
Other finance expenses	1	77
Financial charges	**2,539**	**6,710**

(€'000)	FY2007	FY2008
Exchange-rate gains	154	2,846
Interest income	2,672	1,805
Other finance income	16	1
Financial incomes	**2,842**	**4,652**
Net financial income	**303**	**(2,058)**

The increase in finance expense was €4,171 thousand, posting an increase from €2,539 thousand in 2007 to €6,710 thousand in 2008. The increase is due to both higher exchange losses, especially the loss related to the Advanet option for €1,495 thousand and higher finance expenses. The increase in interest payable was due to the increase in debt following the loan incurred in late 2007 by the Parent Company for acquisition of Applied Data Systems Inc. and the loans in the Advanet Group existing at the time of acquisition and partially refound in advance. Other interest expense includes bank interest and loan interest of €2,255 thousand.

Financial income shows an increase of €1,810 thousand, increasing from €2,842 thousand in 2007 to €4,652 thousand in 2008. This increase is due to the combined effect of an increase 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 late October 2007 for acquiring the 65% stake in the Advanet Group, as described above.

33 – Income tax for the period

Income taxes come to €847 thousand in 2007 and a negative €3,201 thousand in 2008.

(€'000)	FY2007	FY2008
Pre-tax result	(4,159)	(15,679)
Income taxes	(847)	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)	FY2007	FY2008
IRES (Italian corporate income tax)	20	14
IRAP (Italian Regional business tax)	18	26
Foreign current income taxes	1,528	2,395
Total current income tax	**1,566**	**2,435**
Net (prepaid) deferred taxes: Italy	868	77
Net (prepaid) deferred taxes: Non-italian	(1,587)	(5,713)
Net (prepaid) deferred taxes	**(719)**	**(5,636)**
TOTAL INCOME TAXES	**847**	**(3,201)**

Taxes at 31 December 2008 amount to €3,201 thousand (of which €2,435 thousand for current taxes and a negative €5,636 thousand for deferred tax assets) with respect to an impact of €847 thousand at 31 December 2007 (of which €1,566 thousand for current taxes and €719 thousand for deferred tax assets), posting a decrease of €4,048 thousand.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	FY2007	FY2008
Deferred income tax related to items charged or credited directly to equity		
Costs for share quotation	0	0
Exchange differences on equity investments in foreign companies	0	0
Hedge transactions	0	0
Capital gains from transfers treasury shares	0	0
Offset tax effect posted directly to shareholders' equity	(2,564)	0
Income tax expense reported in equity	**(2,564)**	**0**

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 2007 and 31 December 2008, is as follows:

(€'000)	FY2007	FY2008
Italian statutory tax rate	**33.00%**	**27.50%**
Earning before tax	**(4,159)**	**(15,679)**
Taxes at the Italian statutory rate	**(1,372)**	**(4,312)**
Difference between the Italian statutory rate and the foreign tax rates	(114)	(422)
Difference for tax rate change in Italy	1	0
Adjustement of last year taxes	(127)	(187)
Write-off of last year deferred tax	1,007	115
Deferred tax on losses not booked	501	2,067
Deferred tax on permanent differences not booked	255	(587)
Deferred tax assets related to last year tax losses	0	(505)
Non-taxable incomes/relief	(89)	(437)
Non-deductible costs	625	910
Other permanent differences	20	131
Real fiscal charge IRES	**707**	**(3,227)**
Current taxes	1,561	2,596
Deferred taxes	(727)	(5,636)
Income tax of last year	(127)	(187)
Real tax charge IRES	**707**	**(3,227)**
Current taxes IRAP	132	26
Deferred taxes IRAP	8	0
Real tax change IRAP	**140**	**26**
Total Real Fiscal Charge	**847**	**(3,201)**
Real Tax rate	**-20.4%**	**20.4%**

Deferred tax assets and liabilities at 31 December 2008 and at 31 December 2007 are as follows:

(€'000)	FY2007	FY2008
DEFERRED TAX ASSET		
Over fiscally deductible goodwill depreciation	0	0
Allowance for obsolete and slow moving inventory	132	214
Allowance for doubtful accounts	146	95
Allowance for guarantee reserve	46	27
Deductible expenses in subsequent years	1,113	1,521
Losses available to offset subsequent taxable profits	1,316	1,571
IPO fees and costs	153	560
Effects of IFRS adoption	676	228
Intercompany operations	26	0
Offset taxes	(1,806)	(2,683)
TOTAL DEFERRED TAXES ASSETS	**1,802**	**1,533**
DEFERRED TAX LIABILITIES		
Depreciations	79	340
Effects of IFRS adoption	355	842
Tax effect on 'Price allocation'	16,273	13,750
Other temporary changes	154	307
Offset taxes	(1,806)	(2,683)
TOTAL DEFERRED TAX ASSETS	**15,055**	**12,556**

At 31 December 2007, the parent company wrote down the entire receivable for deferred tax assets of €3,427 thousand booked at 31 December 2006, up to the amount of deferred tax liabilities for €153 thousand on some of the deductible timing differences.
The write down of €710 thousand was allocated to the income statement and directly to shareholders' equity for €2,564 thousand, in relation to the methods with which deferred taxes were originally reported.

The Group has fiscal losses arising in the Parent Company and subsidiaries Eurotech Ltd, Eurotech Filand Oy and Saee S.r.l., Eurotech Inc. and I.P.S. Sistemi Programmagili S.r.l. on which deferred tax assets of €13 million (2007: €5.5 million) were not recognised, which can be reported with the timing limits applicable in each country to offset future taxable profits of the companies in which these losses arise. Deferred tax assets are reported in relation to these losses since it is not expected that these can be used to compensate for future taxable profits in the term of validity.

At 31 December 2008, 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

34 – Related-party transactions

he consolidated financial statements include the financial statements of Eurotech S.p.A. and its subsidiaries shown in the following schedule:

Name	Location	% of ownership 31.12.2007	% of ownership 31.12.2008
SUBSIDIARIES			
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%
Arcom Systems Control Inc.	United States	100.00%	(1)
E-Tech USA Inc.	United States	100.00%	100.00%
Eurotech Inc. (ex Applied Data Systems Inc.)	United States	100.00%	100.00%
E-Tech UK Ltd.	UK	100.00%	100.00%
Saee S.r.l.	Italy	100.00%	100.00%
Chengdu Vantron Technologies Inc.	China	65.00%	65.00%
Advanet Inc.	Japan	65.00%	65.00%
Advanet R&D Inc.	Japan	65.00%	(2)
Spirit21 Inc.	Japan	65.00%	65.00%
Vantec Inc.	Japan	65.00%	(3)
AFFILIATED COMPANIES			
Emilab S.r.l.	Italy	24.82%	24.82%
Delos S.r.l.	Italy	40.00%	40.00%
Neuricam S.p.A.	Italy	48.00%	-
eVS embedded Vision Systems S.r.l.	Italy	32.00%	32.00%
Utri S.p.A.	Italy	17.95%	21.00%

(1) Company merged with Eurotech Inc. during 2008
(2) Company liquidated in 2008
(3) Company merged with Spirti 21 Inc. during 2008

It is pointed out that for the Japanese company there is 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.

Below is a list of the transactions with related parties, (in the period as they are 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 other consolidated companies 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
ASSOCIATED COMPANIES						
Emilab S.r.l.	2	-	77	-	-	-
Delos S.r.l.	-	-	-	-	-	-
Neuricam S.r.l.	5	-	43	-	-	-
eVS embedded Vision Systems S.r.l.	-	-	-	-	-	-
Utri S.r.l.	-	-	-	-	-	-
TOTAL	**7**	**-**	**120**	**-**	**-**	**-**
OTHER RELATED PARTIES						
The Next S.r.l.	82	-	27	-	1	13
Finmeccanica Group	447	-	2	-	1,174	19
TOTAL	**529**	**-**	**29**	**-**	**1,175**	**32**

			at December 31, 2008			
Name		Expiration	Fees for the appointment	Other fees	Benefits	Bonus
Siagri Roberto	President	In charge up to 31.12.2010 financials approval	278	9	3	-
Tecchiolli Giampietro	Vice President - Director	In charge up to 31.12.2010 financials approval	168	5	-	-
De Toni Alberto Felice	Director	In charge up to 31.12.2010 financials approval	11	-	-	-
Pizzul Cesare	Director	In charge up to 31.12.2010 financials approval	9	-	-	-
Chiara Mio	Director	In charge up to 31.12.2010 financials approval	9	-	-	-
Barazza Sandro	Director from August 8, 2008	In charge up to 31.12.2008 financials approval	2	62	1	-
Bagnato Filippo	Director from November 14, 2008	In charge up to 31.12.2008 financials approval	-	-	-	-
Soccodato Giovanni	Director from November 14, 2008	In charge up to 31.12.2008 financials approval	-	-	-	-
Tucci Maurizio	Director from November 14, 2008	In charge up to 31.12.2008 financials approval	-	-	-	-
Mauri Massimo	Resigned to 04.08.2008		120	7	-	100
Feragotto Dino	Resigned to 05.11.2008		71	7	-	-
Roberto Chiandussi	Resigned to 05.11.2008		3	54	-	-
Giorgio Pezzulli	Resigned to 05.11.2008		3	70	-	-
Belletti Caterina	Director up to May 5, 2008		2	-	-	-
Spangaro Giovanni	Director up to May 5, 2008		2	-	-	-
Vitali Michele	Director up to May 5, 2008		2	-	-	-
Goi Eros	Director up to May 5, 2008		2	51	-	-
Siciliotti Claudio	President of Bord of Auditors	In charge up to 31.12.2010 financials approval	30	-	-	-
Cignolini Michela	Statutory Auditor from August 29, 2008	In charge up to 31.12.2008 financials approval	7	-	-	-
Rubatto Marco	Statutory Auditor from August 29, 2008	In charge up to 31.12.2008 financials approval	7	-	-	-
Cavalluzzo Nicolino	Statutory Auditor from May 6, 2008 to August 29, 2008		7	-	-	-
Ginisio Lorenzo	Statutory Auditor from May 6, 2008 to August 29, 2008		7	-	-	-
Lago Umberto	Statutory Auditor up to May 5, 2008		7	-	-	-
Milanese Stefano	Statutory Auditor up to May 5, 2008		7	-	-	-
TOTAL			**754**	**265**	**4**	**100**

Lastly, below we provide information on equity interests held in the company and its subsidiaries by members of the management and supervisory bodies, general managers and strategically accountable managers [Italian contractual grade for managers = "dirigenti"] as well as by their spouses not legally separated and their underage 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.

				December 31, 2008					
Name		Company	Possessory title	Share at January 1,	Share acquired in the period	Share acquired in the period	Share disposed in the period	Share at the end of the period	Share at the end of the period indirectly
Siagri Roberto	President	Eurotech	Ownership	2,500,531	-	-	-	2,500,531	1,040,371
Tecchiolli 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 from August 8, 2008	Eurotech	Ownership	-				-	-
Bagnato Filippo	Director from November 14, 2008	Eurotech	Ownership	-	-	-	-	-	-
Soccodato Giovanni	Director from November 14, 2008	Eurotech	Ownership	-	-	-	-	-	-
Tucci Maurizio	Director from November 14, 2008	Eurotech	Ownership	-	-	-	-	-	-
Mauri Massimo	Resigned to 04.08.2008	Eurotech	Ownership	1,104,388			(500,000)	604,388	324,371
Feragotto Dino	Resigned to 05.11.2008	Eurotech	Ownership	2,410,160			(2,410,160)	-	-
Chiandussi Roberto	Resigned to 05.11.2008	Eurotech	Ownership	797,400			(787,400)	10,000	-
Pezzulli Giorgio	Resigned to 05.11.2008	Eurotech	Ownership	748,901			(748,901)	-	-
Belletti Caterina	Director up to May 5, 2008	Eurotech	Ownership	-	-	-	-	-	-
Spangaro Giovanni	Director up to May 5, 2008	Eurotech	Ownership	18,500	-	-	-	18,500	-
Vitali Michele	Director up to May 5, 2008	Eurotech	Ownership	-	-	-	-	-	-
Goi Eros	Director up to May 5, 2008	Eurotech	Ownership	6,000	-	-	(6,000)	-	-
Siciliotti Claudio	President of Board of Auditors	Eurotech	Ownership	20,000			-	20,000	10,000 (*)
Cignolini Michela	Statutory Auditor from August 29, 2008	Eurotech	Ownership	-	-	-	-	-	-
Rubatto Marco	Statutory Auditor from August 29, 2008	Eurotech	Ownership	-	-	-	-	-	-
Cavalluzzo Nicolino	Statutory Auditor from May 6, 2008 to August 29, 2008	Eurotech	Ownership	-	-	-		-	-
Ginisio Lorenzo	Statutory Auditor from May 6, 2008 to August 29, 2008	Eurotech	Ownership	-	-	-	-	-	-
Lago Umberto	Statutory Auditor up to May 5, 2008	Eurotech	Ownership	190,000	-	-	-	190,000	-
Milanese Stefano	Statutory Auditor up to May 5, 2008	Eurotech	Ownership	-	500	-	-	500	-
Bulfoni Raffaele	General Director	Eurotech	Ownership	-	-	-	-	-	-

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

35 – Financial risk management: objectives and policies

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 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 2008, 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 2008, approximately half the loans of the Parent Company have a fixed rate (in 2007, the percentage was also 50%). Vis-à-vis the loans incurred by the Japanese companies, all loans without early repayment penalties were paid off in 2008. Therefore, mainly fixed rate loans were outstanding, with fixed rates currently being cheaper than floating rate loans.

Foreign exchange 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 2008 no foreign exchange hedges were executed because of the uneven USD, GBP and JPY flows and the fact that individual subsidiaries tend to operate in their respective core markets in their respective functional currencies.

Some 83.8% of the sale of goods and services and 75.5% 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.

By way of example, note that consolidated revenue would have been €94.1 million vs. the actual €91.7 million if exchange rates had remained at financial year 2006 levels.

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.
Part of trade receivables are assigned using non-recourse factoring transactions that transfer this risk to the factoring company.
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 preserve a balance between maintenance of funds and flexibility through the use of overdrafts, loans, and finance leases, as well as via equity financing in the market.
Group policy states that no more than 40% of loans must fall due within 12 months.
At 31 December 2008, 19.0% of Group financial payables will accrue within one year (2007: 19.6%), based on the financial statement balances.
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 analyzing a specific reporting system.
Tables of cash flows by due date

(€ '000)	Less 12 months	1 to 2 yeears	3 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	6,397	7,206	13,854	5,649	33,106
Trade payables and other liabilities	20,254	0	0	0	20,254
Business combination liabilities	0	8,420	0	0	8,420
Fianancial derivatives	55	54	160	77	346
Total as of December 31, 2008	**26,706**	**15,680**	**14,014**	**5,726**	**62,126**

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 its capital structure and changes it in accordance with the changes in the economic conditions. At the present time, 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 2007 and 2008.
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, namely, comparing net debt to the total capital plus net debt. In view of the current world financial situation, the Group does not believe it is wise to incur further debt, despite the fact that the parameters set by management policies remain valid.

Group policies should aim to maintain this ratio between 20% and 40% (at 31 December 2008, there was no net debt). 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.

(€'000)	at December 31, 2007	at December 31, 2008
Other current financial assets	0	(719)
Derivative instruments	(82)	346
Borrowing	43,959	30,436
Debiti per acquisto partecipazioni	19,106	8,049
Cash & cash equivalents	(56,604)	(38,684)
Net financial position	**6,379**	**(572)**
Group Equity	121,467	134,059
Group Equity	**121,467**	**134,059**
EQUITY AND NET FINANCIAL POSITION	**127.846**	**133.487**
NET FINANCIAL POSITION ON EQUITY	**5.3%**	**-0.4%**

36 - 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 obligations and other financial assets has been calculated using market interest rates.

Interest rate risk

Interest on financial instruments classified as variable-rate instruments is recalculated periodically during the financial year. Interest on financial instruments classified at a fixed rate is kept constant until the date of maturity of the instrument. Other financial instruments of the Company not shown in the previous table do not accrue interest and therefore are not subject to interest rate risk.Attività di copertura

Hedging

Cash flow hedges

As at 31 December 2008, the Group also held five IRS contracts (for a total of €15.7 million) signed in the last three years and designated as instruments to hedge the risk of interest rate changes.

	End date	Fixed rate	Variable rate	Market value (€'000)
Interest rate swap contracts				
€8,000,000	30 June 2011	3,95%	6-month Euribor	(125)
€7,500,000	31 December 2015	4,08%	6-month Euribor	(221)

Interest rate swap contract conditions were negotiated to make them coincide with the conditions of the underlying commitments.

Accounting for the aforementioned financial instruments has led to a negative effect of €427 thousand, recognised directly in reduction of shareholders' equity.

37 – Events after the reporting period

There were no events of note subsequent to the end of the financial year.

Amaro, 16 March 2009

On behalf of the Board of Directors
President
Roberto Siagri

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ANNEX I

Information provided in accordance with Article 149-duodecis of the CONSOB Regulation for Issuers

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The following schedule has been prepared in accordance with Article 149-duodecies of the CONSOB Regulation for Issuers and shows the amounts paid in 2008 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	2008 fees
Audit			
	Reconta Ernst & Young S.p.A.	Parent company - Eurotech S.p.A.	133,247
	Reconta Ernst & Young S.p.A.	Subsidiaries	27,849
	Ernst & Young Network	Subsidiaries	423,875
Attestation			
	Reconta Ernst & Young S.p.A.	Parent company - Eurotech S.p.A.	-
	Reconta Ernst & Young S.p.A.	Subsidiaries	-
	Ernst & Young Network	Subsidiaries	-
Tax consultant			
	Reconta Ernst & Young S.p.A.	Parent company - Eurotech S.p.A.	13,009
	Ernst & Young Network	Parent company - Eurotech S.p.A.	-
	Reconta Ernst & Young S.p.A.	Subsidiaries	1,372
	Ernst & Young Network	Subsidiaries	30,332
Other services			
	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	-
TOTAL			**629,685**

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ATTESTATION IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

under Article 154-bis of Legislative Decree 24.02.1998, n. 58

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Amaro, March 16th 2009

1. The undersigned Roberto Siagri in his capacity as the Chief Executive Officier of the Company, and Sandro Barazza as the executive officier responsible for the preparation of the Eurotech S.p.A.'s financial statements, pursuant to the provisions of Artiche 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 2008.

2. The assesment of the adequacy of the administrative and accounting procedures used for the preparation of the consolidated financial statements at 31 December 2008 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 2008:
- have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union throught Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19 July 2002 as implemented in Italy by Artiche 9 of Legislative Decree n. 38 of 2005;
- corrispond to the amounts show 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 2008 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 Officier
Signed by Roberto Siagri

Executive officer responsible for the preparation
of the Company's financial statements
Signed by Sandro Barazza

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AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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ERNST & YOUNG

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Independent auditors' report
pursuant to Article 156 of Legislative Decree No. 58 of February 24, 1998
(Translation from the original Italian text)

To the Shareholders
of EUROTECH S.p.A.

1. We have audited the consolidated financial statements of EUROTECH S.p.A. and its subsidiaries, (the "EUROTECH Group") as of and for the year ended December 31, 2008, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree nº 38/2005 is the responsibility of the EUROTECH S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 10, 2008.
3. In our opinion, the consolidated financial statements of the EUROTECH Group at December 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree nº 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of the EUROTECH Group for the year then ended.
4. The management of EUROTECH S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements as required by art. 156, paragraph 4-bis, letter d) of the Legislative Decree nº 58/1998. For this purpose, we have performed the procedures required under Auditing Standard nº 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the consolidated financial statements of the EUROTECH Group as of December 31, 2008.

Treviso, March 31, 2009

Reconta Ernst & Young S.p.A.
signed by: Claudio Passelli, partner

Reconta Ernst & Young S.p.A.
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