




EUROTECH

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Consolidated Interim Financial Report at 30 June 2018





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

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www.eurotech.com

EUROTECH S.p.A.
Registered offices: Via Fratelli Solari 3/A, Amaro (Udine), Italy
Share capital: €8,878,946 fully paid in
Tax code and
Udine Company Register no.: 01791330309

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Corporate Bodies

Board of Directors	
Chairman	Giuseppe Panizzardi ^{1 5}
Vice Chairman	Roberto Siagri ⁶
Vice Chairman	Dino Paladin ¹
Director	Giulio Antonello ^{1 2 6}
Director	Riccardo Costacurta ^{1 2 3 4 5}
Director	Chiara Mio ^{1 2 3 4 5 6}
Director	Giorgio Mosca ¹
Director	Carmen Pezzuto ^{1 2 4}
Director	Marina Pizzol ^{1 3}

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 26 April 2017; it will remain in office until approval of the 2019 financial statements.

Board of Statutory Auditors	
Chairman	Gianfranco Favaro
Statutory auditor	Laura Briganti
Statutory auditor	Gaetano Rebecchini
Substitute auditor	Clara Carbone
Substitute auditor	Nicola Turello

The Board of Statutory Auditors currently in office was appointed by shareholders at the Annual General Meeting of 26 April 2017, and will remain in office until the approval of the 2019 financial statements.

Independent auditor	
	PricewaterhouseCoopers S.p.A.

The independent auditor was appointed for the period 2014-2022 by shareholders at the Annual General Meeting of 24 April 2014.

Corporate name and registered offices of the Parent Company	
	Eurotech S.p.A. Via Fratelli Solari, 3/A 33020 Amaro (UD), Italy Udine Company Register number 01791330309

¹ Non-executive Directors.

² Independent Directors pursuant to the Corporate Governance Code issued by the Italian Corporate Governance Committee for Listed Companies.

³ Member of the Control and Risks Committee

⁴ Member of the Committee for Related Party Transactions

⁵ Member of the Remuneration Committee

⁶ Member of the Appointments Committee

Information for shareholders

The ordinary shares of Eurotech S.p.A., the Parent Company of the Eurotech Group, have been listed in the STAR segment of the MTA market of Borsa Italiana (Milan Stock Exchange) since 30 November 2005.

Share capital of Eurotech S.p.A. at 30 June 2018

Share capital	€8,878,946.00
Number of ordinary shares (without nominal unit value)	35,515,784
Number of savings shares	-
Number of Eurotech S.p.A. treasury shares	1,319,020
Stock market capitalisation (based on the share's average price in June 2018)	€88 million
Stock market capitalisation (based on the share's price at 30 June 2018)	€104 million

Performance of Eurotech S.p.A. shares

Relative performance of EUROTECH S.p.A. shares
01.01.2018 – 30.06.2018

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



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



Management report

Introduction

The annual consolidated financial statements for the Eurotech Group are prepared in compliance with the international financial reporting standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission as for the procedure indicated in Art. 6 of the EC Regulation no. 1606/2002 of the European Parliament and European Council dated 19 July 2002.

This consolidated interim financial report for the six months to 30 June 2018 was prepared in accordance with IAS 34 - Interim Financial Reporting and Art. 154-ter of the Consolidated Finance Law ("TUF"), as well as the relevant CONSOB provisions. Limited auditing was carried out on this consolidated interim financial report, according to the criteria recommended by Consob. The consolidated interim financial report does not include all the information and notes required for the preparation of the consolidated annual financial statements, and must therefore be read in conjunction with the consolidated annual financial statements at 31 December 2017.

Unless otherwise stated, data are expressed in thousands of euro.

Performance highlights

Income statement highlights

(€'000)	1H 2018	%	1H 2017	%	% change
OPERATING RESULTS					
SALES REVENUES	37,322	100.0%	22,003	100.0%	69.6%
GROSS PROFIT MARGIN	18,034	48.3%	9,873	44.9%	82.7%
EBITDA	3,629	9.7%	(4,398)	-20.0%	N/A
EBIT	2,681	7.2%	(6,854)	-31.2%	N/A
PROFIT (LOSS) BEFORE TAXES	2,610	7.0%	(7,878)	-35.8%	N/A
GROUP NET PROFIT (LOSS) FOR THE PERIOD	1,913	5.1%	(7,017)	-31.9%	N/A

Balance sheet and financial highlights

FINANCIAL HIGHLIGHTS	at June 30, 2018	at December 31, 2017
Non-current assets	87,906	84,532
- of which net intangible assets	83,356	79,968
- of which net tangible assets	2,368	2,436
Current assets	45,786	42,682
Financial assets held for sales	19	28
TOTAL ASSETS	133,711	127,242
Group shareholders' equity	96,105	90,697
Minority interest	0	0
Non-current liabilities	7,946	7,691
Current liabilities	29,660	28,854
TOTAL LIABILITIES AND EQUITY	133,711	127,242
	at June 30, 2018	at December 31, 2017
€'000		
NET FINANCIAL POSITION	2,845	5,650
NET WORKING CAPITAL	17,209	17,717
NET INVESTED CAPITAL*	98,931	96,319
CASH FLOW DATA		
Cash flow generated (used) in operations	5,037	(788)
Cash flow generated (used) in investment activities	(1,306)	(1,625)
Cash flow generated (absorbed) by financial assets	(1,637)	896
Net foreign exchange difference	(506)	(924)
TOTAL CASH FLOW	1,588	(2,441)

(*) Non-current non-financial assets, plus working capital, less non-current not-financial liabilities.

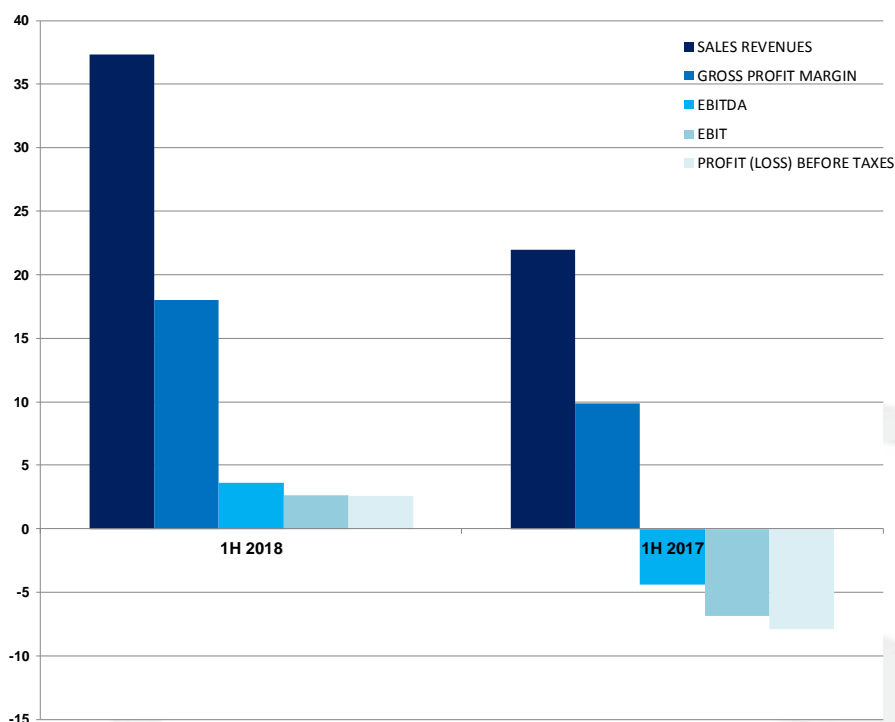
Employee headcount

	at June 30, 2018	at December 31, 2017	at June 30, 2017
EMPLOYEES	303	294	303

Revenues of the NanoPC line by business region

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1H2018	1H2017	% YoY Change	1H2018	1H2017	% YoY Change	1H2018	1H2017	% YoY Change	1H2018	1H2017	% YoY Change	1H2018	1H2017	% YoY Change
Third party Sales	15,053	8,608		9,824	3,793		12,445	9,602		0	0		37,322	22,003	
Infra-sector Sales	358	212		2,542	1,423		110	45		(3,010)	(1,680)		0	0	
Total Sales revenues	15,411	8,820	74.7%	12,366	5,216	137.1%	12,555	9,647	30.1%	(3,010)	(1,680)	-79.2%	37,322	22,003	69.6%

Performance



The Eurotech Group

Eurotech is a global company with a strong international focus, which generates sales on three continents. It is a Group that has operating locations in Europe, North America and Japan, led and coordinated by the headquarters in Italy.

The technological paradigm followed by Eurotech is 'pervasive computing' or 'ubiquitous computing'. The pervasive concept combines three key factors: the miniaturisation of 'smart' devices, i.e. devices capable of processing information; their spread in the real world – inside buildings and equipment, on board vehicles, worn by people, and disseminated in the environment; and their ability to connect with each other in a network and communicating.

Within this overall vision, Eurotech conducts research and development activities with a view to building and marketing high performance and highly energy-efficient miniaturised computers that can be used in a variety of industrial environments, which can be easily connected to one another and to the cloud through the new Internet of Things (IoT) paradigm.

The Group sells modular products with different levels of hardware and software integration, detailed as follows:

- basic components: electronic processing and communications boards according to different proprietary formats and compliant to standards (PC/104, Com-Express, VME, CompactPCI, etc.);
- high and very high performance, low consumption processing and communications sub-systems for fixed and mobile applications built using basic components and third-party components (product lines: BoltCOR, DynaCOR, and custom systems);

- ready-to-use devices and sensors built from components and sub-systems with the integration of specific software (the ReliaGATE and DynaGATE lines for IoT Gateways, the BoltGATE line for Edge Computers, and the PCN and ReliaSENS line for intelligent sensors);
- software for integration with the cloud of basic components, sub-systems and devices: OT-side (Operational Technology) Everyware Software Framework and IT-side (Information Technology) Everyware Cloud integration platform;
- design services for solutions and personalised products to simplify their integration into customer products.

The Group's NanoPC offering is used in several application fields, both conventional and emerging. The Group is most active in the manufacturing, transport, medical, energy and defence sectors. The feature common to many of our Customers in all these sectors is they are seeking not only a supplier but also a centre of technological competence – and they often see in Eurotech a partner for innovating their products and their way of doing business. Through our products, we seek to reduce the Time-To-Market and the Total Cost of Ownership of our customers, who can then focus on their core businesses. They often need solutions for harsh operating conditions and for mission-critical applications, or supplies assured for long periods.

With the emergence of industry 4.0 and the spread of artificial intelligence and collaborative robotics, considerable processing power, which over time had shifted from the “periphery” to the “centre” (Cloud computing), is now returning to the “periphery” (edge computing). The Edge Computing paradigm is revitalising both the traditional segment of embedded computers and that of High Performance Computers (HPC). Embedded computers are increasingly being requested at the “periphery” as long as interconnected with the cloud, and this interconnection function is guaranteed by IoT software platforms. By anticipating the market, over the years, Eurotech has developed a platform for industrial IoT, marketed under the name Everyware Cloud and, thanks to the open-innovation model adopted for its development, is becoming a de-facto standard.

While we continue to improve our consolidated offering, we are increasingly tackling the challenge of creating end-to-end solutions to seamlessly interconnect distributed smart objects and transport valuable data from these objects to business applications, leveraging on the Cloud IT infrastructure.

Any object that is equipped with a small interconnected computer can generate a flow of data and has the potential to become a web-monitored asset, whether it be a vending machine, a bundle of bank notes, an agricultural vehicle or a level crossing. But to create the ‘Internet of Things’, the interface between the real and the digital worlds, between sensors and the web, and between smart devices and applications in the Cloud, have to be managed.

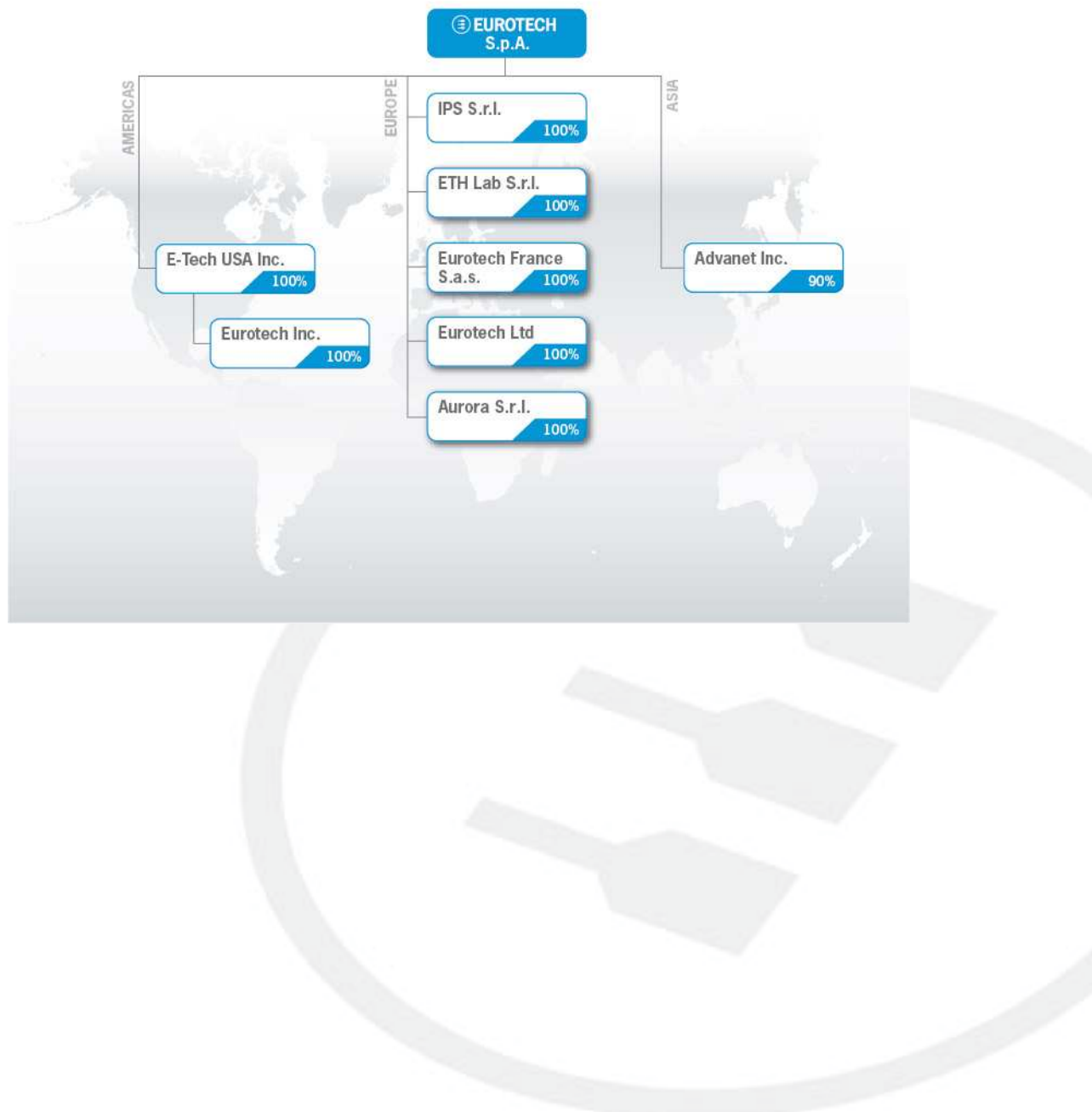
At Eurotech, we know how to process significant data from assets in the real world, transport them in the Cloud and make them usable in business processes and applications. Today, our systems and devices can be easily integrated within a Cloud infrastructure, whether public or private, via our Everywhere Cloud software platform, which rapidly connects smart objects to build distributed systems for IoT solutions. Thanks to our platform, our partners and customers can create flexible solutions that support value-added service provision and asset monitoring systems in a whole range of operating contexts.

At 30 June 2018, the Eurotech Group consisted of the following companies:

Company name	Business	Share capital	Group Share
<i>Parent company</i>			
Eurotech S.p.A.	Company operating in the segment of NanoPC and “IoT” technology, mainly focusing on the Italian and EMEA market. In terms of organisation, it performs the role of coordinating industrial holding company at corporate level	Euro 8,878,946	
<i>Subsidiaries and companies consolidated on a line-by-line basis</i>			
Aurora S.r.l.	Company that provides High Performance Embedded Computer services within the Group.	Euro 10,000	100.00%
E-Tech USA Inc.	Holding company that controls 100% of Eurotech Inc.	USD 8,000,000	100.00%
EthLab S.r.l.	Handles research on the Group's behalf (since 2005)	Euro 115,000	100.00%
Eurotech Inc.	Operates in the US NanoPC field	USD 26,500,000	100.00%
Eurotech Ltd.	Operates in the NanoPC segment, primarily in the UK	GBP 33,333	100.00%

Eurotech France S.A.S.	Operates in the French NanoPC market	Euro 795,522	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Operates in the NanoPC segment under the IPS brand	Euro 51,480	100.00%
Advanet Inc.	Operates in the Japanese NanoPC market	JPY 72,440,000	90.00% (1)

(1) For consolidation purposes, it is regarded as wholly owned, since the company holds the remaining 10% in the form of treasury shares.



Operating performance

	(€'000)	1H 2018	%	1H 2017	%
OPERATING RESULTS					
SALES REVENUES		37,322	100.0%	22,003	100.0%
GROSS PROFIT MARGIN	(*)	18,034	48.3%	9,873	44.9%
EBITDA	(**)	3,629	9.7%	(4,398)	-20.0%
EBIT	(***)	2,681	7.2%	(6,854)	-31.2%
PROFIT (LOSS) BEFORE TAXES		2,610	7.0%	(7,878)	-35.8%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		1,913	5.1%	(7,017)	-31.9%

(*) Gross profit = difference between revenues from sale of goods and services and consumption of raw materials.

(**) EBITDA, an intermediate measure, is earnings before amortisation, depreciation and impairment of non-current assets, financial income and expenses, equity investments in affiliates valued at equity and income taxes for the period. This is a measure used by the Group to monitor and assess its operating performance. Since the composition of EBITDA is not regulated by the reference accounting standards, the determination criteria applied by the Group may not be the same as that used by others and may therefore not be comparable.

(***) EBIT, the operating margin, includes financial income and expenses, the valuations of the equity investments in affiliated companies with the equity method and the income taxes for the period.

In the first half of 2018, the Group recorded a positive performance in terms of sales, confirming the continuation of the upward turnover trend already seen in the second half of 2017. The revenues of the Group in the first half of 2018 were €37.32 million, up by 69.6% with respect to the same period of 2017 in which the turnover had been €22.00 million. At constant exchange rates, the increase would be higher still, 83.3%. As we noted last year, commenting on the first six months of 2017, the low revenues of the six-month period were atypical and reflected a wait-and-see attitude at several of our most important customers. Attitudes changed in the second half of 2017: today the figures show that this stage can be definitely considered as closed.

All geographic regions contributed to the increase in revenues. The US region ended the six-month period with an 81.7% increase with respect to the first half of 2017, generating 41.6% of the revenues of the Group. The performance in Japan was also very positive: 33.3% of the revenues were generated in this region, which therefore has remained, as it was at the end of last year, the second reference area of the Group. Growth in this area was 29.1% with respect to the comparison period. Lastly, revenues increased by 147.3% in the European region, with an incidence of 22.3% on the revenues of the Group.

The order book confirms the trend will remain positive in the second half of the year. Due to the good performance in the second half of 2017, the growth on an annual basis will not be able to stay at the levels shown so far, in the comparison with the first half of 2017, but will in any case be in the double digits. The company continues to carefully monitor sales to its main customers, as well as the economic trends at the world level and the performance of the production of some electronic components: in some cases, these have higher-than-average delivery times, therefore lengthening the time required to turn orders into turnover.

In the IoT segment, Eurotech continues to be a technology leader thanks to its product portfolio and to the creation and continuous implementation of an ecosystem of partners. If, on one hand, the number of POC (Proof of Concept) projects completed continue to increase, on the other, the implementation on a large scale of IoT projects continues to take a long time. Nevertheless, the management team are counting on IoT implementations for B2B and B2B2C customer to boost the Group's future growth.

Before commenting on the income statement figures in more detail, we must point out that some of them have been affected by the recognition of purchase price allocations ^A for the business combination of Advanet Inc. At the end of 2017, the effects of the recognition of the “price-allocation” in the income statement have dropped out of the calculation and therefore the results of the first half of 2018 were not affected.

Gross profit in the period was €18.03 million, accounting for 48.3% of revenues, compared to 44.9% in the first half of 2017. This value is in line with the value recorded in 2017 (48.5%). Maintaining gross profit close to 50% in the various quarters shows the group’s ability to develop and sell innovative products that meet the needs of the market.

Operating costs before adjustments were down in the first six months of 2018 by €0.46 million (2.8%).

This shows that the management continues to pay attention to the operating cost structure: the expansion of the organisation structure planned to support turnover growth in the next few quarters will also be inspired by criteria of necessity and prudence. In general, the six-month period proves the operating leverage of the Group, that is, it shows that the operating cost structure mostly consists of fixed costs, therefore with few variable costs that are dependent on revenues.

This is clear analysing the incidence in percentage terms of operating costs on turnover: this incidence in fact went from 74.9% in the first half of 2017 to 42.9% in the first half of 2018.

Payroll costs were equal to €8.91 million, with an incidence on revenues of 23.9%, sharply down with respect to the same period of the previous year (42.7%). The workforce at 30 June 2018 was 303 (294 at 31 December 2017 and 303 at 30 June 2017), with an average for the period of 297 employees (308 in the first half of 2017).

The gross operating margin (EBITDA) was €3.63 million, against -€4.40 million in the first half of 2017, with a 9.7% incidence on revenues (-20.0% in the same period of 2017), reflecting the performance both of gross profit and of operating costs and other revenues.

EBIT was equal to €2.68 million against a negative €6.85 million in the first half of 2017. EBIT as a percentage of revenues was 7.2% in the first half, against -31.2% in the same period of 2017. This performance reflects the performance of EBITDA, already described above, and the recognition of amortisation and depreciation of intangible assets and property, plant and equipment for €0.95 million against €2.46 million recognised in the same period of 2017. The depreciation and amortisation recognised in 2017 included €1.22 million representing the impact of the price allocation for the purchase of Advanet Inc. As the impact of the price allocation ended in 2017, it has no effect on 2018.

Affected by the performance of currencies, financial operations during the first six months of 2018 generated a loss of €0.05 million, against a €0.91 million loss in the first six months of 2017. The performance of the financial operations was affected by the different currency trends. Overall, in fact, foreign exchange differences resulted in a gain of €169 thousand in the period against a €734 thousand loss in the first half of 2017, while financial operations relating to interest payments had an effect of €201 thousand against €173 thousand in the first half of 2017.

Pre-tax profit was €2.61 million, against a €7.88 million loss in the first six months of 2017. The improvement of the pre-tax result, equal to €10.49 million, reflects the combined effect of higher EBIT (€9.54 million) and the positive performance of financial operations and equity investments (€0.95 million). The effects of the price allocation on the pre-tax result were €1.22 million only for the first three months of 2017.

The estimated tax burden, on the basis of the tax rates specified by current regulations, was equal to €0.70 million, with a 26.7% tax rate, due to the use of tax losses not recognised at 31 December 2017 in the US and Italian companies.

The net income of the Group was equal to €1.91 million, a significant increase with respect to -€7.02 million of the first half of 2017, with an incidence on revenues equal to 5.1%.

The total PPA effects on the Group net income, only in the first half of 2017, were €0.79 million.

^A In detail, the effects of the recognition of the purchase price allocation for the business combination of Advanet Inc. can be summarised as follows:

- depreciation, amortization and impairment: €1.22 million at 30 June 2017, equal to the higher amortisation charged to the higher values attributed to intangible assets (particularly customer relationships);
- lower income taxes: €0.43 million at 30 June 2017 resulting from the tax effect on adjustments made.

The achievement of the positive result in connection with the trend of working capital made possible to highlight positive operating cash flows to the full advantage of the increase in cash and cash equivalents.

As indicated in the explanatory notes to the consolidated annual financial statements, in the past the Group had reported on two separate business lines, NanoPC and HPC (High Performance Computer).

Due to the changes in corporate strategy on HPCs, the two divisions were merged in 2017 and the know-how gained during these years on supercomputers has been applied to create embedded products with similar characteristics but considerably smaller size.

In the aftermath of this reorganisation, the only business line monitored by the Group is the NanoPC line. It comprises a) miniaturised electronic modules and systems for the industrial, transport, medical, energy and defence sectors; and b) machine-to-machine (M2M) software platforms for Internet of Things (IoT) applications.

Therefore, as already done at the end of 2017, segment reporting is no longer based on product sectors but only on the geographic regions in which the different companies of the Group operate and are currently monitored. This is defined by the location of the assets and by the transactions carried out by each company of the Group. The geographic regions identified within the Group are: Europe, North America and Asia.

We describe below revenue and profit trends in the individual geographic regions, with details on their changes in the periods in question^B.

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1H 2018	1H 2017	% YoY Change	1H 2018	1H 2017	% YoY Change	1H 2018	1H 2017	% YoY Change	1H 2018	1H 2017	% YoY Change	1H 2018	1H 2017	% YoY Change
Third party Sales	15,053	8,608		9,824	3,793		12,445	9,602		0	0		37,322	22,003	
Infra-sector Sales	358	212		2,542	1,423		110	45		(3,010)	(1,680)		0	0	
Total Sales revenues	15,411	8,820	74.7%	12,366	5,216	137.1%	12,555	9,647	30.1%	(3,010)	(1,680)	-79.2%	37,322	22,003	69.6%
Gross profit	4,947	2,721	81.8%	6,334	1,915	230.8%	6,877	5,435	26.5%	(124)	(198)	-37.4%	18,034	9,873	82.7%
Gross profit margin - %	32.1%	30.9%		51.2%	36.7%		54.8%	56.3%					48.3%	44.9%	
EBITDA													3,629	(4,398)	-182.5%
EBITDA margin - %													9.7%	-20.0%	
EBIT													2,681	(6,854)	-139.1%
EBIT margin - %													7.2%	-31.2%	

Revenues in North American business area were €15.41 million in the first half of 2018, against €8.82 million in the first half of 2017, with a 74.7% increase. This significant increase, the result of sales and marketing efforts in previous quarters, is no doubt emphasised by the fact that revenues were below historical levels and expectations in the first half of 2017. Orders continue to be significant, especially in the board & system business line, where, besides a recovery of orders from historical customers, there was an increase in the conversion ratio of new customers, which are interested in our products and solutions to reduce their time to market. Orders for the IoT business line also rose significantly and increasingly the POCs (Proof of Concept) rolled-out are resulting in additional orders.

The European business area also recorded a significant increase, from €5.21 million in the first half of 2017 to €12.37 million in the first half of 2018. This increase brings the European region to levels above historical levels for the six-month period and with good prospects of an increase at the end of the year. This increase is the result of the new business opportunities that have been generated both in new vertical markets linked to HPEC (High Performance Embedded Computer) technologies and in traditional segments such as transport as well as in emerging segments related to industrial IoT and to the Industry 4.0 paradigm.

The Asian region grew by 30.1%, from €9.65 million to €12.55 million: the increase of orders generated by traditional customers in the industrial and medical sectors was only partially offset by an exchange rate effect that saw the Japanese currency weaken by around 8% period to period.

The breakdown of revenues by type, which also provides the disaggregation of revenues required by IFRS 15, is the following:

^B 2017 data have therefore been modified with respect to those published last year, since the geographic regions as shown include also the HPC business line, which had previously been excluded.

SALES BY TIPE	1H 2018	%	1H 2017	%
Industrial revenues	36,178	96.9%	20,969	95.3%
Services revenues	1,144	3.1%	1,034	4.7%
TOTALE SALES AND SERVICE REVENUES	37,322	100.0%	22,003	100.0%

The geographical revenue breakdown is provided below, based on customer location.

BREAKDOWN BY GEOGRAPHIC AREA	1H 2018	%	1H 2017	%
European Union	8,327	22.3%	3,367	15.3%
United States	15,511	41.6%	8,536	38.8%
Japan	12,446	33.3%	9,638	43.8%
Other	1,038	2.8%	462	2.1%
TOTAL SALES AND SERVICE REVENUES	37,322	100.0%	22,003	100.0%

Revenues in the US region increased by 81.7% as a result of the management change carried out in 2017 and of new opportunities identified in a market that continues to be receptive to technology developments both in the traditional business and in the IoT business line. The incidence of the United States region on total turnover was 41.6%: the United States remain the most important region, as it was also at the end of the previous year.

There was a 29.1% increase in the Japan region, in line with the increase in orders already recorded in previous quarters. As already noted at the end of last year, this area was the second most important region for the Group, with a 33.3% incidence on total turnover, while in the first half of 2017, as a result of low turnover in other regions, it was the most important region.

In the Europe region, again defined on the basis of customer location, there was a significant increase in turnover, 147.3%, with a 22.3% incidence on total turnover. This increase was mainly obtained in the German region, where the Group has successfully developed an important market niche that requires advanced technology.

Financial and equity position

Non-current assets

(€'000)	at June 30, 2018	at December 31, 2017	Changes
Intangible assets	83,356	79,968	3,388
Property, Plant and equipment	2,368	2,436	(68)
Investments in affiliate companies	0	0	0
Investments in other companies	131	144	(13)
Deferred tax assets	1,335	1,283	52
Medium/long term borrowing allowed to affiliates companies and other Group companies	86	83	3
Other non-current assets	630	618	12
Total non-current assets	87,906	84,532	3,374

Non-current assets in the above table went from €84.53 million in 2017 to €87.91 million in the first half of 2018. The change mainly reflects changes in intangible assets and property, plant and equipment arising from the different conversion ratio for financial statements in foreign currency, as well as the investments made.

The Group's main investments were as follows:

(€'000)	at June 30, 2018	at December 31, 2017	at June 30, 2017
Intangible assets	1,153	2,166	1,080
Property, plant and equipment	169	306	115
Investments	15	0	0
TOTAL MAIN INVESTMENTS	1,337	2,472	1,195

Current assets

(€'000)	at June 30, 2018	at December 31, 2017	Changes
Inventories	20,301	17,821	2,480
Contracts in progress	816	412	404
Trade receivables	14,177	15,623	(1,446)
Income tax receivables	217	204	13
Other current assets	1,845	1,782	63
Other current financial assets	97	95	2
Cash & cash equivalents	8,333	6,745	1,588
Total current assets	45,786	42,682	3,104

The current assets item increased, from €42.68 million at 31 December 2017 to €45.79 million in the first half of 2018.

The decrease in trade receivables is due to their payment on schedule, the increase of the inventory is the result of the stocking of components to be able to cover the portfolio of orders to be delivered by the end of the year and the production of products and orders that will be sold in the next few quarters, while the increase of the liquidity is due to the net cash generated during the six-month period and only in part offset by its use to repay loan instalments and to support current operations.

Working capital

Working capital, which comprises current assets net of cash and cash equivalents and non-financial current liabilities, underwent the following changes in the reporting period:

(€'000)	at June 30, 2018 (b)	at December 31, 2017 (a)	Changes (b-a)
Inventories	20,301	17,821	2,480
Contracts in progress	816	412	404
Trade receivables	14,177	15,623	(1,446)
Income tax receivables	217	204	13
Other current assets	1,845	1,782	63
<i>Current assets</i>	<i>37,356</i>	<i>35,842</i>	<i>1,514</i>
Trade payables	(13,451)	(13,088)	(363)
Income tax liabilities	(704)	(262)	(442)
Other current liabilities	(5,992)	(4,775)	(1,217)
<i>Current liabilities</i>	<i>(20,147)</i>	<i>(18,125)</i>	<i>(2,022)</i>
Net working capital	17,209	17,717	(508)

Working capital decreased with respect to 31 December 2017. This decrease is the net result of different factors: the increased inventories, due to a build-up of stocks to ensure the deliveries scheduled for the next few quarters; a decrease in trade receivables; an increase in trade payables and other current liabilities.

Net financial position

The breakdown of the net financial position at the end of each period is provided in the table below.

(€'000)		at June 30, 2018	at December 31, 2017
Cash & cash equivalents	A	(8,333)	(6,745)
Cash equivalent	B=A	(8,333)	(6,745)
Other current financial assets	C	(97)	(95)
Derivative instruments	D	6	9
Short-term borrowing	E	9,507	10,720
Short-term financial position	F=C+D+E	9,416	10,634
Short-term net financial position	G=B+F	1,083	3,889
Medium/long term borrowing	H	1,848	1,844
Medium-/long-term net financial position	I=H	1,848	1,844
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	2,931	5,733
Medium/long term borrowing allowed to affiliates companies and other Group companies	K	(86)	(83)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	2,845	5,650

At 30 June 2018, the Group had halved its net financial debt, which now stands at €2.84 million. The lower debt levels with respect to 31 December 2017 were mainly due to the positive effect of the gross operating margin for €3.63 million, with a decrease in working capital equal to €0.58 million, and to net investment in property, plant and equipment and intangible assets for €1.34 million.

With regard to cash and cash equivalents, the change is the net effect of the cash generated in the six-month period and the payment of loan instalments as well as the cash used for current operations and for investments in support of the different business lines.

Cash flows

(€'000)		at June 30, 2018	at December 31, 2017	at June 30, 2017
Cash flow generated (used) in operations	A	5,037	(788)	(3,192)
Cash flow generated (used) in investment activities	B	(1,306)	(1,625)	(225)
Cash flow generated (absorbed) by financial assets	C	(1,637)	896	2,949
Net foreign exchange difference	D	(506)	(924)	(103)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	1,588	(2,441)	(571)
Opening amount in cash & cash equivalents		6,745	9,186	9,186
Cash & cash equivalents at end of period		8,333	6,745	8,615

Investments and research and development activities

At 30 June 2018, technical investments (tangible assets) in plant, equipment and instruments were €126 thousand, while investments in other assets were €43 thousand. In addition, in the six-month period, the Group bought software licences for €71 thousand.

During the period, the Group worked on industrial research and development and technological innovation relating both to new products and to process improvements.

Research led to the development of new products/applications in the field of high-integration and low-consumption embedded computers and systems, machine-to-machine integration platforms, network appliances and supercomputers. Technological innovation also led to improved product quality with the aim of reducing production costs and

consequently increasing corporate competitiveness. The costs incurred to develop new products were capitalised for €1,082 thousand (€1,080 thousand in the first half of 2017).

Competitive scenario, outlook and future growth strategy

The integration and the strengthened relations among the different companies of the Group, the worldwide positioning of the Group both in the traditional business and in the emerging IoT market, the expected cash generation and the orders already in the book to be delivered by the end of the year, as well as the strength of the balance sheet of the Group, allow us to be optimistic with regard to the performance in the second half of 2018. Nevertheless, market conditions in some segments and some geographic regions continue to be uncertain and the risk of longer delivery times at world level for some components create uncertainty with regard to the turnover expected for the end of the year. From a financial perspective, in addition to Group cash and equivalents, the ongoing support of banks is still an important factor in supporting internal growth.

The Group's strategic development will continue, following guidelines similar to those already applied in previous years. The implementation of the strategic plan specifically includes the following initiatives:

- the development and offer of new products/solutions with higher value-added, with a special focus on creating application-ready platforms and ready-to-use products;
- the focus on products/solutions increasingly close to the “pervasive computing” and “cloud computing” paradigm;
- strengthening commercial activities, particularly with regard to indirect sales channels along with direct ones;
- greater integration between individual Group companies, to (a) achieve greater operating effectiveness, (b) benefit from the economies of scale achievable, and (c) consolidate the Eurotech brand image;
- the continuous monitoring of opportunities for new acquisitions to extend the Group's presence in specific markets or as cross-selling catalysts between subsidiaries.

Treasury shares of the Parent Company owned by the Parent Company or subsidiaries

The Parent Company Eurotech SpA held 1,319,020 treasury shares at the end of the reporting period. Treasury shares of the Parent Company were not purchased or sold on the stock market during the first half of 2018.

Disclosure of sovereign exposure

Pursuant to Consob Communication DEM/11070007 of 5 August 2011 (itself based on ESMA document 2011/266 of 28 July 2011) relating to the disclosure in financial reports of the exposure of listed companies to sovereign debt, we note that the Group does not hold sovereign debt securities.

Simplification of standards based on Consob resolution no. 18079/2012

Pursuant to Art. 3 of Consob Resolution no. 18079 of 20 January 2012, Eurotech adheres to the simplification procedure provided for by Art. 70, Par. 8, and Art. 71, Par. 1-bis of the Regulations adopted by Consob with its resolution no. 11971 of 14 May 1999 as amended and supplemented. Therefore, it has made use of the right to derogate from the obligations to disclose information provided for by Annex 3B of the aforesaid Consob Regulations at the time of significant transactions concerning mergers, spin-offs, increases in capital by way of contributions in kind, acquisitions and sales.

Disclosure of corporate governance

The "Report on Corporate Governance and Ownership Structure" (hereinafter "Report") required by Art. 123-bis of the TUF (Italian Consolidated Finance Law) is prepared as a stand-alone document and was approved by the Board of Directors on 13 March 2018. It was published on the Company website (www.eurotech.com) in the "Investors" section, in the same financial statements document.

The Report was drafted in line with the recommendations of the Corporate Governance Code and by taking the "Format for the report on corporate governance and ownership structure - 7th Edition (January 2018)" prepared by Borsa Italiana S.p.A. as the model.

An overall and complete picture of the corporate governance system adopted by Eurotech S.p.A. is provided in the Report. The Company's profile and principles that inspire it are presented. It provides information on the ownership structure and adherence to the Corporate Governance Code, including the most important governance practices applied and the key features of the internal control and risk management system. It contains a description of the functioning and composition of the management and supervisory bodies and their committees, roles, responsibilities and competences.

The criteria for determining the directors' fees are explained in the "Remuneration Report" prepared to fulfil the obligations set out in Art. 123-ter of the TUF and Art. 84-quater of the Consob Issuer Regulation. It is published in the "Investors/Information for shareholders" section of the Company website.

Events after the reporting period

No significant events took place after the end of the six-month period and until 7 September 2018.



Condensed consolidated interim financial statements at 30 June 2018

Consolidated statement of financial position

(€'000)	Notes	at June 30, 2018	of which related parties	at December 31, 2017	of which related parties
ASSETS					
Intangible assets	1	83,356		79,968	
Property, Plant and equipment	2	2,368		2,436	
Investments in affiliate companies	3	0		0	
Investments in other companies	3	131		144	
Deferred tax assets	26	1,335		1,283	
Medium/long term borrowing allowed to affiliates companies and other Group companies		86	86	83	83
Other non-current assets		630		618	
Total non-current assets		87,906		84,532	
Inventories	4	20,301		17,821	
Contracts in progress	4	816	816	412	412
Trade receivables	5	14,177	289	15,623	252
Income tax receivables	6	217		204	
Other current assets	7	1,845		1,782	
Other current financial assets	8	97	8	95	5
Cash & cash equivalents	9	8,333		6,745	
Total current assets		45,786		42,682	
Non-current assets classified as held for sale		19		28	
Total assets		133,711		127,242	
Share capital		8,879		8,879	
Share premium reserve		136,400		136,400	
Other reserves		(49,174)		(54,582)	
Group shareholders' equity	11	96,105		90,697	
Equity attributable to minority interest	11	0		0	
Total shareholders' equity	11	96,105		90,697	
Medium-/long-term borrowing	13	1,848		1,844	
Employee benefit obligations	14	2,385		2,343	
Deferred tax liabilities	26	2,974		2,816	
Other non-current liabilities	15	739		688	
Total non-current liabilities		7,946		7,691	
Trade payables	16	13,451	137	13,088	149
Short-term borrowing	13	9,507		10,720	
Derivative instruments	29	6		9	
Income tax liabilities	6	704		262	
Other current liabilities	17	5,992		4,775	
Total current liabilities		29,660		28,854	
Total liabilities		37,606		36,545	
Total liabilities and equity		133,711		127,242	

Consolidated income statement

(€'000)	Notes	1H 2018	of which related parties	1H 2017	of which related parties
Revenues from sales of products and services	D	37,322	642	22,003	370
Other revenues	23	499		1,094	-
Cost of materials	18	(19,288)	-	(12,130)	(418)
Service costs	20	(5,878)	(1)	(5,807)	(12)
Lease & hire costs		(823)		(898)	
Payroll costs	21	(8,909)		(9,397)	
Other provisions and other costs		(413)		(377)	
current assets	22	1,119		1,114	
Depreciation & amortisation	24	(948)		(2,456)	
Operating profit		2,681		(6,854)	
Share of associates' profit of equity	3	0		(3)	
Subsidiaries management		(19)		(113)	
Finance expense	25	(649)		(1,314)	
Finance income	25	597	7	406	4
Profit before taxes		2,610		(7,878)	
Income tax	26	(697)		861	
Net profit (loss)		1,913		(7,017)	
Minority interest		0		0	
Group net profit (loss) for period		1,913		(7,017)	
Base earnings (losses) per share	12	0.056		(0.205)	
Diluted earnings (losses) per share	12	0.056		(0.205)	

Consolidated statement of comprehensive income

(€'000)	Notes	1H 2018	1H 2017
Net profit (loss) before minority interest (A)		1,913	(7,017)
Other elements of the statement of comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net profit/(loss) from Cash Flow Hedge	28	3	1
Tax effect		-	-
		<u>3</u>	<u>1</u>
Foreign balance sheets conversion difference		<u>2,193</u>	<u>(1,129)</u>
Exchange differences on equity investments in foreign	11	997	(2,906)
Tax effect		-	-
		<u>997</u>	<u>(2,906)</u>
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)		3,193	(4,034)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains/(losses) on defined benefit plans for employees		0	0
Tax effect		-	-
		<u>-</u>	<u>-</u>
After taxes net other comprehensive income not being reclassified to profit or loss in subsequent periods (C)		0	0
Comprehensive net result (A+B+C)		5,106	(11,051)
Comprehensive minority interest		-	-
Comprehensive Group net profit (loss) for period		5,106	(11,051)

Consolidated statement of changes in Equity

	Notes	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
(€'000)														
Balance as at December 31, 2017		8,879	1,385	136,400	8,817	(58,830)	(9)	(456)	2,280	(3,097)	(4,672)	90,697	-	90,697
2017 Result allocation		-	-	-	-	(4,672)	-	-	-	-	4,672	-	-	-
Profit (loss) as at June 30, 2018		-	-	-	-	-	-	-	-	-	1,913	1,913	-	1,913
<i>Comprehensive other profit (loss):</i>														
- Hedge transactions	28	-	-	-	-	-	3	-	-	-	-	3	-	3
- Foreign balance sheets conversion difference		-	-	-	2,193	-	-	-	-	-	-	2,193	-	2,193
- Exchange differences on equity investments in foreign companies		-	-	-	-	-	-	-	997	-	-	997	-	997
Total Comprehensive result		-	-	-	2,193	-	3	-	997	-	1,913	5,106	-	5,106
- Performance Share Plan	30	-	-	-	-	302	-	-	-	-	-	302	-	302
Balance as at June 30, 2018		8,879	1,385	136,400	11,010	(63,200)	(6)	(456)	3,277	(3,097)	1,913	96,105	-	96,105
(€'000)														
Balance as at December 31, 2016		8,879	1,385	136,400	12,689	(54,109)	(12)	(398)	6,889	(3,097)	(5,069)	103,557	-	103,557
2016 Result allocation		-	-	-	-	(5,069)	-	-	-	-	5,069	-	-	-
Profit (loss) as at June 30, 2017		-	-	-	-	-	-	-	-	-	(7,017)	(7,017)	-	(7,017)
<i>Comprehensive other profit (loss):</i>														
- Hedge transactions	28	-	-	-	-	-	1	-	-	-	-	1	-	1
- Foreign balance sheets conversion difference		-	-	-	(1,129)	-	-	-	-	-	-	(1,129)	-	(1,129)
- Exchange differences on equity investments in foreign companies		-	-	-	-	-	-	-	(2,906)	-	-	(2,906)	-	(2,906)
Total Comprehensive result		-	-	-	(1,129)	-	1	-	(2,906)	-	(7,017)	(11,051)	-	(11,051)
- Performance Share Plan	30	-	-	-	-	146	-	-	-	-	-	146	-	146
Balance as at June 30, 2018		8,879	1,385	136,400	11,560	(59,032)	(11)	(398)	3,983	(3,097)	(7,017)	92,652	-	92,652

Consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS		Notes	of		of which
(€'000)			at June 30, 2018	at June 30, 2017	
CASH FLOWS GENERATED BY OPERATIONS:					
Group net profit (loss) for period			1,913	(7,017)	
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:					
Depreciation & amortization intangible assets, property, plant and equipr	24	948		2,456	
Write-down of receivables	5	63		49	
Interest income	25	(8)		(18)	
Interest expenses	25	233		202	
Share of net profit of associate and non-consolidated subsidiaries		0		3	
Impairment of investments in other companies	3	30		0	
Gain from investments in associates copanies		(11)		0	
Income taxes (paid) get		(176)		(481)	
Stock Grant expenses	30	302		146	
Provision for (use of) cumulative inventory write-down	4	39		443	
Provision for (use of) long-term employee severance indemnities	14	42		(1)	
Provision for (use of) risk provision	15	26		(160)	
(Provision for) / use of deferred tax asset / Provision for (use of) deferred tax liability	26	106		(862)	
Changes in current assets and liabilities					
Trade receivables	5	1,723	(37)	6,173	431
Other current assets	7/8	(66)		(824)	
Inventories and contracts in process	4	(2,464)		351	
Trade payables	16	89	(12)	(4,244)	(147)
Other current liabilities	17	2,248		592	
Total adjustments and changes		3,124		3,825	
Cash flow generated (used) in operations		5,037		(3,192)	
CASH FLOW FROM INVESTMENT ACTIVITIES:					
Sales of tangible and intangible assets	1/2	0		27	
Interest income	25	8		18	
Purchase of intangible fixed assets	1	(1,153)		(1,080)	
Purchase of tangible fixed assets	2	(169)		(115)	
Decreases (Increases) other financial assets	8	(2)		(8)	
Net investments in long-term investments and non-current assets		1		156	
Cash flow generated (used) by non-current assets classified as held for sale		9		777	
Cash flow generated (used) in investment activities		(1,306)		(225)	
CASH FLOW FROM FINANCING ACTIVITIES:					
Loans taken	13	1,000		3,349	
(Increases) decreases of loans to other Group companies	13	0	-	3	3
Interest paid		(233)		(202)	
(Repaid) loans short and medium/long term	13	(2,404)		(201)	
Cash flow generated (absorbed) by financial assets		(1,637)		2,949	
Net foreign exchange difference		(506)		(103)	
Increases (decreases) in cash & cash equivalents		1,588		(571)	
Opening amount in cash & cash equivalents	9	6,745		9,186	
Cash & cash equivalents at end of period	9	8,333		8,615	

Explanatory notes to financial statements

A – Corporate information

The publication of the condensed consolidated interim financial statements of Eurotech S.p.A. for the six months to 30 June 2018 was authorised by resolution of the Board of Directors on 7 September 2018. Eurotech S.p.A. is a joint stock company incorporated and domiciled in Italy. The Group has its registered office in Amaro (UD), Italy.

Eurotech is a group active in the research, development, and marketing of miniaturised computers and highly energy efficient computers with high computing capacity. In addition, within this business line, it provides complete solutions or building blocks and products for the Internet of Things through smart devices and a proprietary smart connectivity and communication platform. For further information, see Note D.

B – Reporting policies and IFRS compliance

The annual consolidated financial statements for the Eurotech Group are prepared in compliance with the international financial reporting standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission as for the procedure indicated in Art. 6 of the EC Regulation no. 1606/2002 of the European Parliament and European Council dated 19 July 2002.

These condensed consolidated interim financial statements for the six months ended 30 June 2018 were prepared in accordance with IAS 34 - Interim Financial Reporting and Art. 154-ter of TUF as amended and supplemented, as well as the relevant CONSOB provisions. These condensed consolidated interim financial statements do not provide all the information and notes required for the consolidated annual financial statements. Consequently, this report should be read in conjunction with the consolidated annual financial report for the year ended 31 December 2017.

Preparation of interim financial statements requires top management to make estimates and assumptions that affect the amounts of reported revenues, costs, assets and liabilities and disclosure concerning contingent assets and liabilities as at the interim reporting date. If, in the future, these estimates and assumptions, which are based on management's best possible assessment, were to differ from actual circumstances, they would be amended accordingly in the period when such circumstances materialised. For a fuller description of the Group's most important evaluation processes, see Note "C – Discretionary evaluations and relevant accounting estimates" – of the consolidated financial statements at 31 December 2017.

We also point out that some evaluation processes – in particular the more complex ones such as calculation of any impairment of non-current assets – are generally performed in full only when annual financial statements are drawn up, i.e. when all and any information required is available. The exceptions to this are cases when impairment indicators exist such as to require immediate testing for any impairment.

Income taxes are recognised according to the best estimate of the weighted average tax rate expected for the full financial year.

The accounting policies, consolidation methods and valuation criteria used to prepare the consolidated interim financial report are consistent with those used for the consolidated annual financial report at 31 December 2017. An exception was made for the adoption of the new accounting standards, amendments and interpretations in force since 1 January 2018.

The standards, amendments and interpretations that have gone into effect since 1 January 2018 and have been applied for the first time in the financial report at 30 June 2018 are briefly described below. The application of these standards, amendments and interpretations had no particular impact on the consolidated financial statements of the Group since they regulate matters not present, or that affect only financial disclosure.

Financial instruments – IFRS 9 – The amendments introduced by the new standard replace the provisions of IAS 39 and introduce a logical approach for the classification and measurement of the financial instruments based on the characteristics of their cash flows and on the business model according to which the asset is held, a single model for the impairment of financial assets based on expected losses and a substantially new approach to hedge accounting. The new standard is effective for annual periods beginning on or after 1 January 2018. The Group has adopted the new standard from the date of its coming into force. The financial statements of the Group were not affected by the application of the classification and measurement requirements of IFRS 9. Loans, like trade receivables, are held to be collected at their contractual maturity and are expected to generate cash flows consisting only of the principal and interest payments. The Group therefore will continue to measure them at amortised cost, according to IFRS 9. IFRS 9, in

addition, requires the Group to recognise the expected losses on all its obligations, loans and trade receivables, on an annual basis or according to their residual duration. There were no effects on the shareholders' equity of the Group, which applies the simplified approach, since its trade receivables are largely held against counterparties with high credit standing.

Revenue from Contracts with Customers – IFRS 15 – The provisions of the standard, and the related clarifications, require a company to recognise the revenues from the transfer of the control on goods or services to customers at an amount corresponding to the consideration expected for these goods or services. To achieve this purpose, the new model for the recognition of revenue defines a five-step framework. The new standard also requires additional information on the nature, amount, timing and uncertainty on the revenue and cash flows from customer contracts. The new standard was adopted by the Group from 1 January 2018 onwards.

According to the analysis carried out by the Group on its main sales agreements outstanding, the application of the standard had no impact on the shareholders' equity at 1 January 2018.

The assessment of the effects of the new standard led the Group to identify the following macro categories for its contracts: sales of industrial goods (industrial revenue) and service provisions (service revenue), which were in any case already reported.

Classification and Measurement of Share-based Payment Transactions – IFRS 2 – The amendment published aims at solving some issues related to the recognition of share-based payments. In particular, this amendment makes substantial improvements (i) in the measurement of cash-settled share-based payments (ii) in their classification and (iii) in the recognition if cash-settled share-based payments are transformed into equity-settled share-based payments. The financial statements of the Group were not affected by the adoption of this standard.

Foreign Currency Transactions and Advance Consideration– IFRIC 22– The standard defines the exchange rate to be used in the recognition of foreign currency transactions, for which payment is made or received in advance. The financial statements of the Group were not affected by its adoption.

Transfers of Investment Property – IAS 40 – The amendments published regulate the transfer to and from investment property. More specifically, it was clarified whether a property under construction or development held as inventory may be transferred to investment property if there is a clear change in use. The financial statements of the Group were not affected by its adoption.

Annual Improvements to IFRS Standards 2014–2016 Cycle - On 8 December 2016, the IASB published several amendments to the standards aimed at clarifying some provisions of IFRS 1, IFRS 12 and IAS 28. These amendments were adopted by the Group from 1 January 2018 and had no impact.

The accounting standards and interpretations already issued but not yet in force at the reporting date are described below. The Group plans to adopt these standards as they come into force.

Leases - IFRS 16 – IFRS 16 was published in January 2016, replacing IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 defines the standards for the recognition, measurement, presentation and disclosure of leases and requires that lessees recognise all leases according to a single accounting model that is similar to current finance lease accounting according to IAS 17. The standard provides for two exemptions for the recognition by lessees, for leases of “low value” assets (for example, personal computers) and short-term leases (for example, leases with a maximum term of twelve months or less). At the start of the lease, the lessee recognises a liability against the payments specified by the lease and an asset that represents the right to use the underlying asset over the course of the lease. Lessees must recognise separately the interest expenses on the lease liability and the depreciation of the right to use the asset. Lessees must also re-measure the lease liability when certain events occur (for example: a change in the lease conditions, a change in future lease payments resulting from the change of an index or rate used to calculate such payments). The lessee usually recognises the amount of the re-measurement of the lease liability as an adjustment of the right to use the asset. The recognition methodology specified by IFRS 16 remains basically unchanged for the lessor, which continues to classify all leases using the same classification specified by IAS 17, distinguishing between operating and finance leases. IFRS 16 will come in force for the years beginning on or after 1 January 2019, with full retrospective or modified effect. Early application is allowed, as long as IFRS 15 is also applied. The Group expects to apply the new standard at its mandatory effective date, with modified retrospective effect.

To this purpose, the Group has started a review process, which will lead by the end of the year to the assessment of the effects of the application of the new standard on Net Invested Capital and Net Financial Position.

Consolidated Financial Statements and Investments in Associates and Joint Ventures – IAS 10 and IAS 28 - On 11 September 2014, the IASB published some amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures. Their objective is to clarify the process of recognition of the effects of the transfer of assets between the companies of a group and its associates and joint ventures. The new standard will be effective from 1 January 2019.

The consolidated financial report at 30 June 2018 is drawn up in Euro, rounding amounts to the nearest thousand. It consists of the statement of financial position, income statement, statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, 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 as necessary to align them with international accounting policies and with uniform group-wide classification policies.

This consolidated interim financial report provides a true and fair representation of the financial position, net income and cash flows of the Group, following the general principles of business continuity, economic competence, consistency of presentation, relevance and aggregation, prohibition of compensation and comparability of information.

C – Scope of consolidation

The condensed consolidated interim financial statements include the half-year financial statements of the Parent Company, Eurotech S.p.A., and of the Italian and foreign subsidiaries over which Eurotech has the right to exercise control, directly or indirectly (through subsidiaries and associates), making financial and operating decisions, and the right to obtain the corresponding benefits.

Subsidiaries are consolidated starting on the date when control was effectively transferred to the Group and cease to be consolidated as from the date when control is transferred outside the Group

The companies included in the scope of consolidation on a line-by-line basis at 30 June 2018 are as follows:

Company name	Registered offices	Share capital	Group Share
<i>Parent company</i>			
Eurotech S.p.A.	Via Fratelli Solari, 3/A – Amaro (UD)	Euro 8,878,946	
<i>Subsidiary companies consolidated line-by-line</i>			
Aurora S.r.l.	Via Fratelli Solari, 3/A – Amaro (UD)	Euro 10,000	100.00%
EthLab S.r.l.	Via Dante, 300 – Pergine Valsugana (TN)	Euro 115,000	100.00%
Eurotech Inc.	Columbia (USA)	USD 26,500,000	100.00%
Eurotech Ltd.	Cambridge (UK)	GBP 33,333	100.00%
E-Tech USA Inc.	Columbia (USA)	USD 8,000,000	100.00%
Eurotech France S.A.S.	Venissieux Cedex (France)	Euro 795,522	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Via Piave, 54 – Caronno Varesino (VA, Italy)	Euro 51,480	100.00%
Advanet Inc.	Okayama (Japan)	JPY 72,440,000	90.00% (1)
(1) Officially, the Group owns 90% of the company, but as Advanet holds 10% of the share capital in the form of treasury shares, it is fully consolidated.			
<i>Subsidiaries valued at equity</i>			
Rotowi Technologies S.p.A. in liquidation (formerly U.T.R.I. S.p.A.)	Via Carlo Ghega, 15 – Trieste (Italy)		21.31%
<i>Other smaller companies valued at cost</i>			
Kairos Autonomi Inc.	Salt Lake City (USA)		19.00%

The main changes with regard to subsidiaries and affiliates compared with 31 December 2017 are as follows:

- 31/01/ 2018 the Slovak company ETH Devices S.r.o. was wound down, after being placed in liquidation
- 26/06/2018 the company eVS embedded Vision Systems, already classified under assets held for sale, was sold;

The following table provides information on the exchange rates used to translate foreign companies' financial statements into the Eurotech Group's presentation currency (the euro). The rates correspond to those released by the Italian Foreign Exchange Bureau (Ufficio Italiano Cambi).

Currency	Average 6Months 2018	As of June 30, 2018	Average 2017	As of December 31, 2017	Average 6Months 2017	As of June 30, 2017
British pound sterling	0.87977	0.88605	0.87667	0.88723	0.86059	0.87933
Japanese Yen	131.60570	129.04000	126.71120	135.01000	121.78039	127.75000
USA Dollar	1.21040	1.16580	1.12970	1.19930	1.08302	1.14120



D – Segment reporting

For management purposes, until 30 June 2017, the Group had reported on its two most significant business segments: the “NanoPC” and the “HPC (High Performance Computer)”. Due to the insignificance of the HPC business segment in terms of revenue, the company no longer treats this segment as a separate business unit, but uses the know-how accrued in support of the products of the single “NanoPC” division. Therefore, information on the single segment identified, articulated on a geographical basis, is provided below. Geographical information is provided for the different companies of the Group and according to the criterion with which they are currently monitored by senior management.

The Group’s geographical areas are defined according to the location of Group assets and transactions. They are: Europe, North America and Asia.

Management monitors the EBIT of the individual business units separately for the purposes of resources allocation and performance assessment.

(€'000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1H2018	1H2017	% YoY Change	1H2018	1H2017	% YoY Change	1H2018	1H2017	% YoY Change	1H2018	1H2017	% YoY Change	1H2018	1H2017	% YoY Change
Third party Sales	15,053	8,608		9,824	3,793		12,445	9,602		0	0		37,322	22,003	
Infra-sector Sales	358	212		2,542	1,423		110	45		(3,010)	(1,680)		0	0	
Total Sales revenues	15,411	8,820	74.7%	12,366	5,216	137.1%	12,555	9,647	30.1%	(3,010)	(1,680)	-79.2%	37,322	22,003	69.6%

The table below shows assets and investments in the Group’s individual business segments at 30 June 2018 and 31 December 2017.

(€'000)	North America		Europe		Asia		Correction, reversal and elimination		Total	
	1H2018	FY 2017	1H2018	FY 2017	1H2018	FY 2017	1H2018	FY 2017	1H2018	FY 2017
Assets and liabilities										
Segment assets	37,590	35,378	69,740	68,498	71,534	68,170	-45,153	-44,948	133,711	127,098
Investments in subsidiaries non consolidated, associate & other companies	113	109	18	35	0	0	0	0	131	144
Total assets	37,703	35,487	69,758	68,533	71,534	68,170	-45,153	-44,948	133,842	127,242
Segment liabilities	48,533	46,834	18,696	20,130	15,502	14,481	-45,125	-44,900	37,606	36,545
Total liabilities	48,533	46,834	18,696	20,130	15,502	14,481	-45,125	-44,900	37,606	36,545
Other segment information										
Investments in tangible assets	4	41	53	358	112	298	0	0	169	697
Investments in intangible assets	257	594	806	1,219	90	178	0	0	1,153	1,991
Depreciation & amortisation	352	1,577	394	1,266	202	3,165	0	0	948	6,008

Segment assets at 30 June 2018 do not include the tax credits of the Parent Company (€0.01 million).

E – Breakdown of main balance sheet items

1 – Intangible assets

The following table shows the changes in the historical cost and accumulated amortisation of intangible assets in the reporting period:

(€ '000)	DEVELOPMENT COSTS	GOODWILL	SOFTWARE TRADEMARKS PATENTS	ASSETS UNDER CONSTRUCTION & ADVANCES	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Purchase or production cost	10,849	74,551	20,547	2,713	28,357	137,017
Previous years' impairment	(778)	(7,366)	(7,252)	(46)	(128)	(15,570)
Previous years' amortisation	(7,913)	-	(5,343)	-	(28,223)	(41,479)
OPENING BALANCE	2,158	67,185	7,952	2,667	6	79,968
Purchases	25	-	71	1,057	-	1,153
Disposals	(866)	-	-	-	(1,538)	(2,404)
Other changes	112	2,678	539	20	1,169	4,518
Transfers	1,240	-	-	(1,240)	-	-
Amortisation in period	(650)	-	(30)	-	-	(680)
Reversal of cumulative amortisation	866	-	-	-	1,410	2,276
Decreases in cumulative impairment	-	-	-	-	128	128
Other changes in cumulative impairment	-	(175)	(454)	-	-	(629)
Other changes in cumulative amortisation	(86)	-	281	-	(1,169)	(974)
TOTAL CHANGES	641	2,503	407	(163)	-	3,388
Purchase or production costs	11,360	77,229	21,157	2,550	27,988	140,284
Impairment	(778)	(7,541)	(7,706)	(46)	-	(16,071)
Cumulative amortisation	(7,783)	-	(5,092)	-	(27,982)	(40,857)
CLOSING BALANCE	2,799	69,688	8,359	2,504	6	83,356

The €3.39 million increase is attributable to new investments for €1.15 million, foreign exchange effects for €2.91 million and amortisation for €0.68 million registered in the first half-year. The total value increased from €79.97 million last year to €83.36 million in the first half of 2018.

Investments made in the first six months of the year mainly relate to Group plans to develop new products, both on new IoT technologies and on low-energy consumption products.

The items Other changes, Other changes in cumulative impairment and Other changes in cumulative amortisation refer to exchange rate differences accrued on initial balances expressed in foreign currency, and specifically to goodwill, in addition to the cancellation of items totally amortised at the end of the previous year, which were €2.40 million.

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. As from 1 January 2004, goodwill is no longer been amortised and is tested at least annually for impairment.

For the purposes of annual impairment testing, the individual goodwill items and assets with indefinite and definite useful life recorded, purchased through business combinations, were allocated to the respective cash generating units (CGUs) corresponding to the legal entity or group of companies to which reference is made to test for impairment.

The carrying value of goodwill and trademarks with an indefinite useful life allocated to each of the CGUs is shown below:

Cash generating units	at June 30, 2018		at December 31, 2017	
	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Inc.	43,217	8,207	41,306	7,843
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	21,046	-	20,461	-
Eurotech Ltd. (ex Arcom Ltd.)	4,929	-	4,922	-
Eurotech France S.a.s.	406	-	406	-
Other	90	-	90	-
TOTAL	69,688	8,207	67,185	7,843

The change in the carrying values of Advanet Inc., Eurotech Inc. and Eurotech Ltd. is due to the fact that the amounts concerned are expressed in the foreign transactions' functional currency and consequently converted at each balance sheet date using the exchange rate in force at that date.

To check for any impairment of goodwill or other intangible assets with a definite useful life, at 30 June 2018 the Group again critically analysed the calculation processes used at 31 December 2017, which had also been made with the support of independent experts.

The reported data for the first half of 2018 were compared with the forecasts for the half-year included in the plan and also with the figures for the original 2018 budget used at December 2017. This analysis did not show the need to re-perform the impairment test at 30 June 2018 for the different CGUs, since final data were in line or in some cases above forecasts.

Only for the CGU related to Eurotech Ltd., in the presence of cash flows in 2018 below forecasts, on a conservative basis, a sensitivity analysis was carried out on these cash flow forecasts and the recoverability of the goodwill recognised based on the impairment test at 31 December 2017 was assessed based on its value in use. The Directors, on the basis of the analysis carried out, confirmed the valuations made at the time of the 2017 annual financial statements.

In general, the Directors in their analyses considered both external and internal indicators (in particular, performance of Eurotech shares on the stock market, Group operating result, order trends and the product portfolio as well as the relations with stakeholders) and found the values recognised to be appropriate and recoverable.

2 – Property, plant and equipment

The table below shows changes in the historical cost and accumulated depreciation and the value of the assets in the period under review:

(€ '000)	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION & ADVANCES	LEASED ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
Purchase of production cost	1,654	5,556	4,868	5,746	2	129	17,955
Depreciation	(41)	-	-	-	-	-	(41)
Previous year's depreciation	(523)	(5,315)	(4,523)	(5,069)	-	(48)	(15,478)
OPENING BALANCE	1,090	241	345	677	2	81	2,436
Purchases	-	-	126	43	-	-	169
Disposals	-	-	(32)	(34)	-	-	(66)
Other changes	-	172	100	96	-	-	368
Depreciation in period	(18)	(30)	(89)	(115)	-	(16)	(268)
Reversal of cumulative depreciation	-	-	32	34	-	-	66
Other changes in cumulative amortisation	-	(170)	(90)	(77)	-	-	(337)
TOTAL CHANGES	(18)	(28)	47	(53)	-	(16)	(68)
Purchase or production cost	1,654	5,728	5,062	5,851	2	129	18,426
Depreciation	(41)	-	-	-	-	-	(41)
Cumulative depreciation	(541)	(5,515)	(4,670)	(5,227)	-	(64)	(16,017)
CLOSING BALANCE	1,072	213	392	624	2	65	2,368

The Other changes item, which refers both to cost and to the related cumulative depreciation, refers to the different exchange rates at which foreign entities' values were converted at 30 June 2018 compared with those applied at 31 December 2017.

Purchases made in the half-year related mainly to computers, office equipment and industrial equipment.

Fixed assets under lease refers, for €65 thousand, to leased assets, which are recognised with the financial method and mainly refer to vehicles purchased by the parent company.

3 – Investments in affiliates and other companies

The table below shows changes in investments in affiliates and other companies in the reporting period:

(€'000)	at June 30, 2018						EOP VALUE	% OWNERSHIP
	INITIAL VALUE	INCREASES	DECREASES	WRITE-UPS /WRITE-DOWN	OTHER			
Investments in associate companies:								
Rotowi Technologies S.r.l. in liquidazione (ex U.T.R.I. S.p.A.)	-	-	-	-	-	-	-	21.32%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	-	-	-	-	-	-	-	
Investments in other companies:								
Consorzio Ecor' IT	2	-	-	-	-	-	2	
Consorzio Aeneas	5	-	-	-	-	-	5	
Consorzio Ditedi	11	-	-	-	-	-	11	7.69%
Inasset S.r.l.	0	-	-	-	-	-	-	0.38%
Consorzio Rete Space Italy	15	15	-	(30)	-	-	-	
Kairos Autnomi	110	-	-	-	2	112	112	19.00%
Others	1	-	-	-	-	1	1	
TOTAL INVESTMENTS IN OTHER COMPANIES	144	15	-	(30)	2	131		

The write-ups/write-downs item relates to Consorzio Rete Space Italy, to the write-down carried out on the units paid.

Other changes relate to the difference in the exchange rate used to convert the values of the equity investments at 30 June 2018 compared with the rate applied at 31 December 2017.

The company Rotowi Technologies S.r.l. in liquidation (formerly U.T.R.I. S.p.A.) was valued with the equity method; the equity stake was equal to 21.32%.

4 – Inventories and work in progress

The following table provides an inventory breakdown at the end of the periods under review:

(€'000)	at June 30, 2018	at December 31, 2017
Raw & auxiliary materials and consumables - gross	8,511	8,144
Inventory write-down provision	(1,698)	(1,848)
Raw & auxiliary materials and consumables - net	6,813	6,296
Work in process and semi-finished goods - gross	3,686	2,604
Inventory write-down provision	(125)	(147)
Work in process and semi-finished goods	3,561	2,457
Finished products and goods for resale - gross	12,058	11,043
Inventory write-down provision	(2,276)	(2,043)
Finished products and goods for resale - net	9,782	9,000
Advances	145	68
TOTAL INVENTORIES	20,301	17,821

Inventories at 30 June 2018 were €20.30 million, net of inventory write-down provision equal to €4.10 million. The amount of the inventory write-down provision was still in line with the previous year, due to the combined effect of the provision made during the period and the uses following the liquidation of items in the warehouse previously entirely or partly written down.

The table below shows changes in the inventory write-down provision in the periods under review:

CHANGES IN CUMULATIVE INVENTORY WRITE-DOWN PROVISION - € '000	at June 30, 2018	at December 31, 2017
OPENING BALANCE	4,038	4,248
Provisions	488	670
Other changes	22	(398)
Utilisation	(449)	(482)
CLOSING BALANCE	4,099	4,038

Other changes reflect the change in the amounts stated in the foreign operations' functional currency and consequently converted at each balance sheet date using the exchange rate in force at that date.

The following table provides information on work in progress at 30 June 2018 and 31 December 2017:

(€'000)	at June 30, 2018	at December 31, 2017
Contract revenues recognised as revenue in the period	404	412
Contract costs borne as at balance-sheet date	189	297
Profits recognised as at balance-sheet date	215	115
Down payments received	0	0
Contract costs and profits recognised as at balance-sheet date	404	412
Revenues recognised in previous periods	412	0
Gross amount owed by customer for contractual work	816	412

5 – Trade receivables

The table below provides a breakdown of trade receivables and their adjustment reserves at 30 June 2018 and 31 December 2017:

(€'000)	at June 30, 2018	at December 31, 2017
Trade receivables - customers	14,280	15,430
Trade receivables medium/long term - customers	0	285
Trade receivables - related parties	289	252
Doubtful debt provision	(392)	(344)
TOTAL TRADE RECEIVABLES	14,177	15,623

We note that, at the reporting date, the Group did not present significant concentrations of credit risk, since the Group has a high number of customers located in different geographic regions. The risk profile of the customers is basically similar to the one identified and measured last year. It is believed that these receivables are collectable within one year. Trade receivables are non-interest bearing and generally fall due within 90-120 days.

Trade receivables, net of the relative doubtful debt provision, decreased by €1.45 million compared with 31 December 2017. The decrease is due mainly to the regular payment of trade receivables on maturity.

The receivables include €0.5 million in bank receipts presented subject to collection, but not yet due at the end of the period.

Receivables are shown after a doubtful debt provision of €0.39 million.

CHANGES IN CUMULATIVE DOUBTFUL DEBT PROVISION - € '000	at June 30, 2018	at December 31, 2017
OPENING BALANCE	344	452
Provisioning	63	80
Other changes	1	(23)
Utilisation	(16)	(165)
CLOSING BALANCE	392	344

The net increase in the period was €48 thousand, due to the combined effect of provisions made during the period to bring the amounts of the receivables in line with their presumed realisable value (€63 thousand), also in application of the new standard IFRS 9, and the difference for the different exchange rate used (-€1 thousand), as well as the use of the provisions (€16 thousand), since the conditions for deducting the provision made were met.

6 – Tax receivables and payables

Receivables for income taxes represent receivables from individual governments for direct taxation (IRES and income taxes in various countries) which should be recovered within the next year, as well as receivables for withholdings made on dividends paid out to the Parent Company. Compared to 31.12.2017, tax credits went from €204 thousand to €217 thousand.

Income tax payables are made up of current taxes relating to the period yet to be liquidated, and represent the amounts that the individual companies must pay to the tax authorities of the respective countries. These payables are calculated according to the tax rates currently in force in each country. Payables for foreign taxes were €522 thousand (2017: €198 thousand), while Italian tax payables were €182 thousand (2017: €64 thousand).

7 – Other current assets

The table below shows the composition of other current assets at 30 June 2018 and 31 December 2017:

(€'000)	at June 30, 2018	at December 31, 2017
Amounts receivable for grants	1	37
Advance payments to suppliers	345	215
Tax receivables	548	894
Other receivables	143	35
Accrued income and prepaid expenses	808	601
TOTAL OTHER CURRENT ASSETS	1,845	1,782

Tax receivables mainly consist of receivables for indirect (VAT) taxation. VAT receivables do not bear interest and are generally settled with the competent tax authority on a monthly basis.

Prepaid expenses relate to costs borne in advance for bank charges, maintenance fees, utilities, services and insurance.

8 – Other current financial assets

The “other current financial assets” item under current assets was €97 thousand, up by €2 thousand.

The amount represents for €85 thousand a three-year insurance policy, for €4 thousand 100 shares of Banca Popolare Friuladria and for €8 thousand the interest accrued on the loan granted to the company Kairos Autonomi Inc. due next year.

The portfolio includes 2,500 Veneto Banca Holding S.c.a.r.l. shares bought in 2012 and fully written down in 2016 to adjust their value to the market value, currently €0.1.

These assets were classified as financial assets recorded in the income statement at fair value.

9 – Cash & cash equivalents

The table below shows the composition of cash and cash equivalents at 30 June 2018 and 31 December 2017:

(€'000)	at June 30, 2018	at December 31, 2017
Bank and post office deposits	8,315	6,725
Cash and valuables in hand	18	20
TOTAL CASH & CASH EQUIVALENTS	8,333	6,745

Bank deposits are mostly on demand and are remunerated at a variable rate of interest. The fair value of cash and cash equivalents was €8.33 million (€6.74 million at 31 December 2017).

Cash and cash equivalents increased with respect at 31 December 2017 by €1.59 million as a result of the cash generated in the six-month period, new loans taken out (€1 million) and net of the loan instalments paid (€2.4 million), investments in property, plant and equipment (€0.2 million) and intangible assets (€1.1 million) made in the period.

10 – Net financial position

The Group's net financial position is shown below:

(€'000)		at June 30, 2018	at December 31, 2017
Cash & cash equivalents	A	(8,333)	(6,745)
Cash equivalent	B=A	(8,333)	(6,745)
Other current financial assets	C	(97)	(95)
Derivative instruments	D	6	9
Short-term borrowing	E	9,507	10,720
Short-term financial position	F=C+D+E	9,416	10,634
Short-term net financial position	G=B+F	1,083	3,889
Medium/long term borrowing	H	1,848	1,844
Medium-/long-term net financial position	I=H	1,848	1,844
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	2,931	5,733
Medium/long term borrowing allowed to affiliates companies and other Group companies	K	(86)	(83)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	2,845	5,650

The Group's net financial debt at 30 June 2018 was €2.84 million, half of the level at the end of 2017.

11 – Shareholders' equity

The table below shows the composition of shareholders' equity at 30 June 2018 and 31 December 2017:

(€'000)	at June 30, 2018	at December 31, 2017
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(49,174)	(54,582)
Group shareholders' equity	96,105	90,697
Equity attributable to minority interest	0	0
Total shareholders' equity	96,105	90,697

The share capital at 30 June 2018 was made up of 35,515,784 ordinary shares, wholly subscribed and paid up, with no nominal value.

The balance of the Issuer's legal reserve at 30 June 2018 amounted to €1.38 million.

The share premium reserve, which relates entirely to the Parent Company, was booked for a total amount of €136.4 million.

The positive translation reserve of €11.01 million was generated by inclusion in the condensed consolidated interim financial statements of the statements of financial position and income statements of the US subsidiaries Eurotech Inc. and E-Tech USA Inc., the UK subsidiary Eurotech Ltd. and the Japanese subsidiary Advanet Inc.

The other reserves item was negative for €63.2 million and comprised the Parent Company's surplus reserve, formed by losses carried forward, allocations of retained earnings from prior years and other reserves of miscellaneous origin. The change in the year is attributable to the allocation of 2017 profits and to the recognition of the Performance Share Plan as described in note 30.

The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IFRS 9, was negative for €6 thousand, down by €3 thousand gross of the tax effect, which was not recognised due to absence of the relative prerequisites.

The foreign exchange reserve in which – based on IAS 21 – foreign exchange differences relating to intragroup foreign-currency loans that constitute part of a net investment in a foreign shareholding are recognised, was positive by €3.28 million, up by €1.00 million gross of the related tax effect; again, it was not recorded due to the absence of the prerequisites.

At the end of the reporting period, the Parent Company Eurotech S.p.A. held 1,319,020 treasury shares (same amount at 31 December 2017). There was no transaction during the year.

12 – Basic and diluted earnings (losses) per share

Basic earnings (losses) per share (EPS) are calculated by dividing the income of the reporting period pertaining to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the reporting period, net of treasury shares.

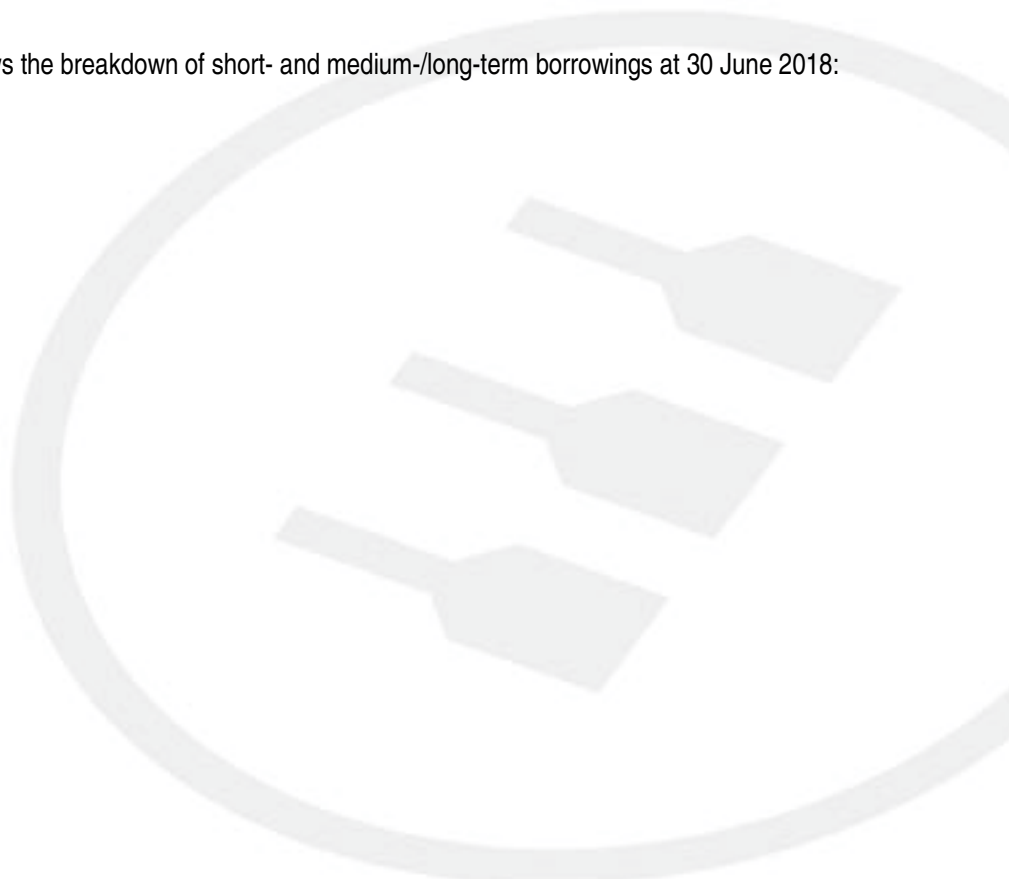
During the periods under comparison, no capital transactions took place leading to EPS dilution.

The table below shows the earnings and information on the shares used to calculate basic and diluted EPS.

	at June 30, 2018	at December 31, 2017
Net income (loss) attributable to parent company shareholders	1,913,000	(4,672,000)
Weighted average number of ordinary shares including own shares	35,515,784	35,515,784
Own shares	(1,319,020)	(1,319,020)
Weighted average number of ordinary shares except own shares	34,196,764	34,196,764
Weighted average number of ordinary shares except own shares for share diluted	34,196,764	34,196,764
Net income (loss):		
- per share	0.056	(0.137)
- per share diluted	0.056	(0.137)

13 – Borrowings

The following table shows the breakdown of short- and medium-/long-term borrowings at 30 June 2018:



LENDER	COMPANY	BALANCE ON 31.12.2017	BALANCE ON 30.06.2018	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months	Long term Over 5 years
CURRENT OUTSTANDINGS - (a)		5,429	5,666	5,666	-	-	-
Ministero dell'Istruzione, dell'Università e della Ricerca	Eurotech S.p.A.	9	-	-	-	-	-
Ministero dell'Istruzione, dell'Università e della Ricerca	Eurotech S.p.A.	382	306	152	154	154	-
FCA Bank	Eurotech S.p.A.	19	11	11	-	-	-
Toyota Financial Service	Eurotech S.p.A.	18	16	3	13	13	-
Unicredit Leasing	Eurotech S.p.A.	58	48	23	25	25	-
BCC Lease	Eurotech S.p.A.	17	14	9	5	5	-
Finance Lease	Eurotech Inc	28	20	8	12	12	-
TOTAL OTHER FINANCINGS		531	415	206	209	209	-
Iccrea Banca Impresa	Eurotech S.p.A.	566	307	307	-	-	-
Total Group Iccrea		566	307	307	-	-	-
Crédit Agricole - FriulAdria	Eurotech S.p.A.	508	-	-	-	-	-
Crédit Agricole - FriulAdria	Eurotech S.p.A.	-	1,000	328	672	672	-
Total Crédit Agricole		508	1,000	328	672	672	-
The Chugoku Bank Ltd	Advanet Inc.	2,628	2,026	1,059	967	967	-
Total The Chugoku Bank Ltd		2,628	2,026	1,059	967	967	-
PrimaCassa FVG	Eurotech S.p.A.	343	172	172	-	-	-
PrimaCassa FVG	Eurotech S.p.A.	150	-	-	-	-	-
Cassa Rurale Alto Garda	EthLab S.r.l.	74	49	49	-	-	-
Total Credito Cooperativo Banks		567	221	221	-	-	-
Unicredit	Eurotech S.p.A.	1,874	1,510	746	764	764	-
Total Unicredit Group		1,874	1,510	746	764	764	-
BPM	Eurotech S.p.A.	461	210	210	-	-	-
Total BPM Group		461	210	210	-	-	-
TOTAL BANK DEBT - (c)		6,604	5,274	2,871	2,403	2,403	-
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		7,135	5,689	3,077	2,612	2,612	-
TOTAL DEBT - [(a) + (b) + (c)]		12,564	11,355	8,743	2,612	2,612	-
RECLASSIFICATION OF CURRENT SUBJECT TO COVENANT FUNDING		-	-	764	(764)	(764)	-
TOTAL DEBT AFTER RECLASSIFICATION		12,564	11,355	9,507	1,848	1,848	-

In the first half of 2018, a new bank loan of €1 million was obtained from Credit Agricole - Friuladria; in addition, portions of medium/long-term loans falling due were repaid in the amount of €2.45 million.

The reclassification regards two loans granted to the Parent Company, by a bank, the residual amount of which at 30 June 2018 was €1,510 thousand (of which €764 thousand were originally medium-long term), with maturity in May 2020, to support corporate development plans. This loan is subject to covenants (which include the possibility of early repayment or increase in the interest rate spread) with annual verification based on the consolidated financial statements of 31 December. These covenants regard the equity value, the debt to equity ratio and the EBIT and revenues ratio. Failure to observe one of the covenants at 31 December 2017 resulted in the expiry of the benefit of the term. The Parent Company has requested a waiver letter from the lending institutions, but at the reporting date this had not yet been obtained; the bank informally notified that the loans will continue to be offered until the maturity date without its costs being increased. Nevertheless, the Parent Company continued to reclassify these entire loans as short term.

14 – Employee benefits

The table below shows the breakdown of employee benefits at 30 June 2018 and 31 December 2017:

(€'000)	at June 30, 2018	at December 31, 2017
Employees' leaving indemnity	306	302
Foreing Employees' leaving indemnity	1,986	1,950
Employees' retirement fund	93	91
TOTAL EMPLOYEES' BENEFITS	2,385	2,343

Defined benefit plans

The Group has defined benefit pension plans both in Italy and Japan, and these require contributions to a separately managed fund.

IAS 19R was applied retroactively starting from 1 January 2012. As a result, the expected return of the assets servicing the defined-benefit plan was not booked to the income statement. The interest on the net liabilities of the defined-benefit plan (not including the plan assets) was, however, booked to the income statement. Interest is calculated using the discount rate used to measure the net assets or liabilities of the pension plan.

In addition, the past service cost (not vested) can no longer be deferred to the future vesting period. All past service costs are instead recognised in the income statement at the date of the plan's amendment or at the date of recognition of the related restructuring costs or cessation of the employment relationship, whichever is earlier. Until 2012, non-vested past servicing costs were recognised on a straight-line basis over the plan's average vesting period. With the move to IAS 19R, past service costs are recognised immediately in the income statement if the benefits vest immediately with the introduction or modification of the pension plan.

The changes in the items Italian and foreign "retirement fund" were as follows:

(€ '000)	Defined benefit plans			
	Italy		Japan	
	at June 30, 2018	at December 31, 2017	at June 30, 2018	at December 31, 2017
Projected benefit obligation at January 1,	302	300	1,950	2,040
Current Service cost	101	13	77	150
Interest cost	1	5	0	10
Other changes	0	0	89	(214)
Pensions paid	(98)	(40)	(130)	(98)
Recognized actuarial gains or losses	0	24	0	62
Projected benefit obligation at December 31	306	302	1,986	1,950

15 – Reserve for risks and charges

The table below shows the composition and changes of provisions for risks and charges at 30 June 2018 and 31 December 2017:

(€'000)	at December 31, 2017	Provision	Utilization	Other	at June 30, 2018
Selling agents' commission fund	66	2	-	-	68
Director termination fund	54	20	-	2	76
Guarantee reserve	277	95	(91)	10	291
Busting depreciable asset	291	-	-	13	304
TOTAL FUNDS FOR COSTS AND FUTURE RISKS	688	117	(91)	25	739

The supplementary customer indemnity provision is allocated based on the amounts envisaged by legislation and collective economic agreements regarding situations of interruption in the mandate given to agents. The effect of time-discounting the share of liabilities that will be liquidated beyond the next year is not expected to be significant.

The cumulative provision for directors' termination indemnity refers to the indemnity recognised for directors with powers set out in by the bylaws of the Company or its subsidiaries. This indemnity is generally paid at the end of the mandate of the Board in office and is provisioned for periodically for the relevant share.

The product warranty provision is allocated based on the expectations of the charge to incur for not-fulfilment of the warranty commitment on products sold at year-end.

The asset disposal reserve was allocated in response to an obligation for future costs that a number of Japanese companies of the Group will incur in future years for the disposal, demolition, disassembly, and removal of a number of assets, and improvements to leased property, at the end of their useful lives or of the lease agreement.

16 – Trade payables

The table below shows the composition of trade payables at 30 June 2018 and 31 December 2017:

(€'000)	at June 30, 2018	at December 31, 2017
Third parties	13,314	12,939
Related companies	137	149
TOTAL TRADE PAYABLES	13,451	13,088

Trade payables at 30 June 2018 were €13.45 million, up by €0.36 million with respect at 31 December 2017. Trade payables are non-interest bearing and, on average, are settled 90-120 days after invoice date.

17 – Other current liabilities

The table below shows the breakdown of other current liabilities at 30 June 2018 and 31 December 2017:

(€'000)	at June 30, 2018	at December 31, 2017
Social contributions	416	492
Other	3,765	2,907
Advances from customers	549	237
Grants advances	733	733
Other tax liabilities	254	304
Accrued expenses	275	102
TOTAL OTHER CURRENT LIABILITIES	5,992	4,775

Other payables

Other payables include amounts payable to employees for salaries as well as for holidays and paid leaves of absence accruing and not taken by employees at the reporting date, as well as amounts payable to Directors and other miscellaneous items.



F - Breakdown of key income statement items

18 – Costs of raw & auxiliary materials and consumables used

(€'000)	1H 2018	1H 2017
Purchases of raw materials, semi-finished and finished products	20,873	13,008
Changes in inventories of raw materials	(121)	(69)
Change in inventories of semi-finished and finished products	(1,464)	(809)
TOTAL COST OF MATERIALS	19,288	12,130

Costs of raw & auxiliary materials and consumables were up by 59.0% in the period considered, going from €12.13 million of the first half of 2017 to €19.29 million in the first half of 2018. The increase is related to the increased turnover in the first half of 2018 with respect to the previous period and to the different product mix.

19 – Other operating costs net of cost adjustments

(€'000)	1H 2018	1H 2017
Service costs	5,878	5,807
Rent and leases	823	898
Payroll	8,909	9,397
Accruals and other costs	413	377
Cost adjustments for in-house generation of non-current assets	(1,119)	(1,114)
Operating costs net of cost adjustments	14,904	15,365

The other operating costs item in the table above, net of cost adjustments for internal increases, went from €15.36 million in the first half of 2017 to €14.90 million in the first half of 2018.

The other provisions and costs include an allocation to the doubtful debt provision of €63 thousand.

20 – Service costs

(€'000)	1H 2018	1H 2017
Industrial services	2,430	2,395
Commercial services	1,229	1,271
General and administrative costs	2,219	2,141
Total costs of services	5,878	5,807

In the period considered, service costs recorded a 1.2% increase, going from €5.81 million to €5.88 million, with an incidence on revenue down from 26.4% in the first half of 2017 to 15.7% in the first half of 2018.

21 – Payroll costs

(€'000)	1H 2018	1H 2017
Wages, salaries and Social Security contributions	8,534	9,011
Employees' leaving entitlement and other personnel provisions	177	173
Other costs	198	213
Total personnel expenses	8,909	9,397

In the first half of the year, payroll costs decreased. This net decrease is the effect of a reduction in the average number of employees in the periods compared. The increase of the business will require the increase of the workforce with specific know-how in the different geographic regions. Wages and salaries also included for €302 thousand (at 30 June 2017 the cost recognised was €146 thousand), the pro-rata cost related to the Performance Share Plan, as commented in note 30.

As the table below illustrates, the number of Group employees increased at the end of the last period, up from 294 at the end of 2017 to 303 at the end of the first half of 2018.

Employees	at June 30, 2018	at December 31, 2017	at June 30, 2017
Management	3	3	3
Clerical workers	282	274	283
Line workers	18	17	17
TOTAL	303	294	303

22 – Cost adjustments for internally generated non-current assets

At 30 June 2018, cost adjustments for internally generated non-current assets amounted to €1,119 thousand (against €1,114 thousand at 30 June 2017). All this refers entirely to the capitalisation of costs for internal staff, materials and services incurred for new-product development projects in the field of NanoPC modules and systems in the field of machine-to-machine/Internet of Things SW platforms. More specifically, if these costs had been deducted from the corresponding income statement item, there would have been a reduction of €101 thousand in materials costs (€85 thousand at 30 June 2017), of €245 thousand in the payroll costs (€598 thousand at 30 June 2017) and €773 thousand in services costs (€431 thousand at 30 June 2017).

23 – Other income

(€'000)	1H 2018	1H 2017
Government grants	2	468
Sundry revenues	497	626
Total other revenues	499	1,094

Other revenues refer mostly to income received from companies with which there are outstanding partnerships for the joint development of the business.

24 – Amortisation, depreciation and write-downs

(€'000)	1H 2018	1H 2017
Amortisation of intangible assets	680	2,072
Amortisation of property, plant and equipment	268	384
Total amortisation and depreciation	948	2,456

Amortisation, depreciation and write-downs went from €2.46 million in the first half of 2017 to €0.95 million in the first half of 2018. This change is due mainly to the completion of the amortisation of the customer relationship item deriving from the “price allocation”, which therefore has had no impact in 2018 and was €1.22 million at 30 June 2017.

No fixed assets were written down during the half-year.

25 – Financial charges and income

The results of the Group's financial management are summarised below:

(€'000)	1H 2018	1H 2017
Exchange-rate losses	416	1,112
Interest expenses	201	173
Expenses on derivatives	10	4
Other finance expenses	22	25
Financial charges	649	1,314

(€'000)	1H 2018	1H 2017
Exchange-rate gains	585	378
Interest income	8	18
Other finance income	4	10
Financial incomes	597	406

The performance of the financial operations was influenced by exchange rate gains that in the first six months of 2018 were €169 thousand, with respect to a net loss in the first six months of 2017 of €734 thousand.

26 – Income tax for the period

Income taxes at 30 June 2018 reported a net cost of €697 thousand (deriving from the net effect of current tax expenses for €713 thousand and deferred tax income of €16 thousand) against net income of €861 thousand at 30 June 2017 (deriving from the net effect of current tax expenses for €114 thousand and deferred tax income of €975 thousand), with a €1,558 thousand decrease.

(€'000)	1H 2018	1H 2017
IRES (Italian corporate income tax)	168	109
IRAP (Italian Regional business tax)	92	0
Foreign current income taxes	453	5
Total current income tax	713	114
Net (prepaid) deferred taxes: Italy	0	0
Net (prepaid) deferred taxes: Non-italian	(16)	(975)
Net (prepaid) deferred taxes	(16)	(975)
TOTAL INCOME TAXES	697	(861)

Deferred tax assets at 30 June 2018 were €1.33 million (31 December 2017: €1.28 million) and mainly represent taxes on the inventory write-down provision, the doubtful debt provision and other deductible costs of previous years.

Deferred tax liabilities at 30 June 2018 were €2.97 million (31 December 2017: €2.82 million) and mainly relate to the tax effects on the "Price allocation" related to the trademark with an indefinite useful life. The increase is mainly because of the booking of deferred taxes in the period, in addition to the forex effect on values expressed in USD and JPY and relating to the PPA values.

G – Other information

27 – Related-party transactions

The condensed consolidated interim financial statements include the half-year financial statements of Eurotech S.p.A. and the half-year accounts of the subsidiaries shown in the following table:

Name	Location	Currency	% of ownership 30.06.2018	% of ownership 31.12.2017	% of ownership 30.06.2017
Subsidiaries					
Aurora S.r.l.	Italy	Euro	100.00%	100.00%	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Italy	Euro	100.00%	100.00%	100.00%
ETH Lab S.r.l.	Italy	Euro	100.00%	100.00%	100.00%
Eurotech France S.A.S.	France	Euro	100.00%	100.00%	100.00%
Eurotech Ltd.	UK	GBP	100.00%	100.00%	100.00%
E-Tech Inc.	United States	USD	100.00%	100.00%	100.00%
Eurotech Inc.	United States	USD	100.00%	100.00%	100.00%
ETH Devices S.r.o. in liquidation	Slovakia	Euro	-	100.00%	100.00%
Advanet Inc.	Japan	Yen	90.00% (1)	90.00% (1)	90.00% (1)
Affiliated companies					
eVS embedded Vision Systems S.r.l. (2)	Italy		-	24.00%	24.00%
Rotowi Technologies S.p.A. in liquidation (ex U.T.R.I. S.p.A.) (3)	Italy		21.32%	21.32%	21.32%

(1) The percentage of formal possession is 90%, but due to the possession by Advanet of 10% of the share capital in the form of treasury shares, it is fully consolidated

(2) Classify as 'Non-current assets classified as held for sale'

(3) Company in liquidation

We report below related-party transactions not offset during consolidation.

RELATED PARTIES	Revenues to related parties	Interest to related parties	Purchases from related parties	Financial receivables to related parties	Receivables from related parties	Contracts in progress	Payables from related parties	Gain on business unit disposals
Associated companies								
eVS embedded Vision Systems S.r.l.	-	-	1	-	-	-	-	-
Total	-	-	1	-	-	-	-	-
Other related parties								
Leonardo Group	642	-	-	-	289	816	137	-
Kairos Autonomi	-	7	-	94	-	-	-	-
Total	642	7	-	94	289	816	137	-
Total with related parties	642	7	1	94	289	816	137	-
% impact on line item	1.7%	1.2%	0.0%	51.4%	2.0%	5.8%	1.0%	0.0%

28 – Financial risk management: objectives and criteria

The Group's financial instruments, other than derivative contracts, include bank loans in different technical forms, finance 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 and liquidity. The Group also has transactions in derivatives, mainly swap or collar transactions on interest rates. The objective is to manage interest rate risks caused by Group transactions and by its sources of finance.

In accordance with Group policies, no speculative derivatives have been entered into.

The main risks generated by Group financial instruments are interest rate risks, exchange risks, liquidity risks and credit risks. The Board of Directors has reviewed and agreed to the policies for managing these risks, as summarised below.

Interest rate risk

Group exposure to the risk of interest rate fluctuations mainly involves medium-term obligations taken on by the Group, featuring variable interest rates linked to various indices. The Group signed interest rate swap contracts providing for recognition of a variable rate against payment of a fixed rate. This type of contract is 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 30 June 2018, approximately 67.9% of Group loans had a fixed interest rate (in the first half of 2017, the percentage was about 63.6%). As for the loans in place at the Japanese company, they were taken up at fixed rate since it is more advantageous than those at variable rate.

Exchange rate risk

In view of the significant investments in the US, Japan and the UK, with substantial foreign currency cash flows from business and financial transactions, the Group's financial statements could be significantly affected by changes in the USD/EUR, JP¥/EUR and GBP/EUR exchange rates. In the reporting period, no foreign exchange hedges were executed because of the uneven USD, GBP and JP¥ flows and especially because the individual subsidiaries tend to operate in their respective functional currencies in their respective core markets.

About 75.7% of sales of goods and services (30 June 2017: 85.2%) and 72.9% (30 June 2017: 74.0%) of the cost of goods purchases and the operating costs of the Group are denominated in a currency other than the functional currency used by the Parent Company to draw up this consolidated interim financial report.

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 insignificant. Only some receivables from key customers are insured.

Financial assets, recorded by trading date, are recognised in the financial statements net of write-downs calculated according to the risk of counterparty default, taking into account the information available on the customer's level of solvency and historical data.

There is no significant concentration of credit risk in the Group, although there have been times in the last 3 years when a single customer has generated revenue exceeding 10% of total turnover.

Credit risk concerning other Group financial assets, which include cash and equivalents and financial instruments, presents a maximum risk equal to the book value of these assets in the event of insolvency of the counterparty.

Liquidity risk

The objective of the Group is to strike a balance between maintaining funds and flexibility through the use of overdrafts, loans, and finance leases, transferral of recourse factoring and, potentially, equity financing in the market.

Group policy states that no more than 40% of loans must fall due within 12 months.

At 30 June 2018, 54.1% of Group financial payables were due within one year (first half of 2017: 46.1%), based on the balances of the original repayment plans. Both values were different from those shown in the financial statement balances, as no risk of early repayment is believed to exist, due to informal agreements with banks.

Measurement of fair value and relative hierarchical valuation levels.

All financial instruments recorded at fair value are classed within the following three categories:

Level 1: market price

Level 2: valuation techniques (based on observable market data)

Level 3: valuation techniques (not based on observable market data)

The fair value of derivatives and loans obtained has been calculated by discounting expected cash flows to present value applying prevailing interest rates. The fair value of other financial assets has been calculated using market interest rates. As IFRS 13 requires, for each of the financial assets and liabilities the company analysed the effect of their measurement at fair value. The measurement process refers to Level 3 of the fair value hierarchy, except for trading in derivatives as described in greater detail hereunder, and revealed no considerable differences compared to the book values at 30 June 2018 and on the respective comparison figures.

At 30 June 2018, the Group held the following financial instruments measured at fair value:

(€'000)	Notional value at June 30, 2018	Fair value at June 30, 2018 (debit)	Fair value at June 30, 2018 (credit)	Notional value at December 31, 2017	Fair value at December 31, 2017 (debit)	Fair value at December 31, 2017 (credit)
Cash flow hedge						
Contracts Interest Rate Swap (IRS)	1,845	0	(6)	1,610	0	(9)

All the assets and liabilities measured at fair value at 30 June 2018 are at Level 2 of the fair value measurement scale. In addition, during the first six months of 2018 there were no transfers from Level 1 to Level 2 or Level 3, or vice versa.

29 – Financial and derivative 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 loans obtained has been calculated by discounting expected cash flows to present value applying prevailing interest rates. The fair value of other financial assets has been calculated using market interest rates.

Interest rate risk

Interest on financial instruments classified as variable-rate instruments is recalculated periodically during the financial year. Interest on financial instruments classified as fixed-rate instruments is kept constant until the maturity date of the instruments concerned.

Hedging

Cash flow hedges

At 30 June 2018, the Group holds four interest rate swap contracts (for total notional residual amounts of €1.84 million), one of which signed in the first half-year and designated as hedging derivatives against interest rate risk.

	<i>Due date</i>	<i>Fixed rate</i>	<i>Floating rate</i>	<i>Market value (€'000)</i>
<i>Interest rate swap contracts</i>				
€ 500,000	26 January 2021	0.34%	Euribor 3 month	-
€ 417,113	29 May 2020	0.35%	Euribor 3 month	(3)
€ 674,492	29 May 2020	0.00%	Euribor 3 month	(2)
€ 253,499	21 January 2019	0.37%	Euribor 3 month	(1)

Interest rate swap contract conditions were negotiated to coincide with the conditions of the underlying commitments. The accounting treatment of these financial instruments in the reporting period entailed an increase in shareholders' equity of €3 thousand and brought the cash flow hedge reserve recognised as a direct reduction of equity to -€6 thousand in total.

30 – Share-based payments

On 22 April 2016, the Shareholders' Meeting of the Company approved the adoption of an incentive plan for parties who have a directorship position and/or an employment contract and/or a contractor or consultant agreement with Eurotech S.p.A. or one of its Subsidiaries, and who perform key functions in the Group organisation; the plan is known as "2016 EUROTECH S.p.A. Performance Share Plan" (hereinafter "2016 PPS").

The 2016 PPS establishes that the beneficiaries, identified by the company's Board of Directors, are assigned the right to receive Eurotech S.p.A. shares free of charge ("Unit"), provided they have a contract with the company or with one of its subsidiaries on the respective Assignment Date. The Units assigned are subject to a retention period lasting 2 years starting from the respective Assignment Date; during the Retention Period, the assigned Units cannot accrue unless the contract is terminated in a good leaver case (for example: dismissal by the company not for just cause, death, Beneficiary's retirement and loss of the condition of Subsidiary by the company employing the Beneficiary).

The Board of Directors assigned 98,000 units to beneficiaries in 2018, either directly or through their delegate.

	Year 2018			Year 2017		
	No. Units granted	Value of the assign units (€/000)	Value of the units for teh period (€/000)	No. Units granted	Value of the assign units (€/000)	Value of the units for teh period (€/000)
Performance Share Plan 2016						
Nr. Unit at the beginning of the period	889,000	1,174	289	432,000	542	271
Nr. Unit Granted during period	98,000	147	23	457,000	632	77
Nr. Unit Cancelled during period	(10,000)	(15)	(10)	-	-	-
Nr. Unit assigned during period	-	-	-	-	-	-
Nr. Unit Outstanding at the end of the period	977,000	1,306	302	889,000	1,174	348

The total cost of the units assigned in 2018 was €147 thousand and this cost was allocated along the 24-month vesting period. At 30 June 2018, the company recognised a cost in the income statement equal to €302 thousand, with contra entry recognised in shareholders' equity. From the beginning of the plan, the amount recognised in the income statement was €710 thousand.

31 – Events after the reporting period

There were no other significant events after the closing of the consolidated financial report at 30 June 2018 and until the date of approval.

32 – Business seasonality

The sector in which the Group operates does not feature any significant seasonal trends. However, the Group usually registers a greater concentration of revenues in the second part of the year. These higher sales were mainly due to the planning of purchases by customers. For the current year, no special turnover concentration is expected in the second half of the year.

Certification of the Condensed Consolidated Interim Report

Pursuant to Article 154-bis, Paragraph 5 – Part IV, Title III, Chapter II, Section V-bis of Italian Legislative Decree no. 58 of 24 February 1998: “Consolidated act on measures relating to financial intermediation, pursuant to Articles 8 and 21 of Italian Law no. 52 of 6 February 1996”.

- 1) We the undersigned, Roberto Siagri, Chief Executive Officer, and Sandro Barazza, Financial Reporting Manager, of Eurotech S.p.A., hereby certify, also having taken into account the requirements of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998 [the Italian Consolidated Finance Act] as subsequently amended and supplemented:
 - the adequacy in relation to the characteristics of the company and
 - the actual applicationof the administrative and accounting procedures for drawing up the condensed consolidated interim financial statements during the period 1 January 2018-30 June 2018.
- 2) The valuation of the adequacy of the administrative and accounting procedures for the formation of the condensed financial statements at 30 June 2018 is based on a model specified by Eurotech in line with the CoSO framework (document in the CoSO Report) and also takes into account the document “*Internal Control over Financial Reporting – Guidance for Smaller Public Companies*”, both prepared by the Committee of Sponsoring Organizations of the Treadway Commission, which is a reference framework generally accepted at the international level. To this regard, no important aspects emerged.
- 3) We also certify that the condensed consolidated interim financial statements:
 - a) correspond to the results in the corporate books and accounting records;
 - b) are prepared in compliance with the international accounting standards (IFRSs) recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002;
 - c) provide a fair and true representation of the financial position and business performance of the set of entities included in the scope of consolidation.
- 4) The interim management report refers to the important events occurring in the first six months of the financial year and to their impact on the condensed consolidated interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year, as well as information on significant related-party transactions.

Amaro (UD), 07 September 2018

Eurotech S.p.A.

signed Roberto Siagri
Chief Executive Officer Financial Reporting Manager

signed Sandro Barazza

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REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Eurotech SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Eurotech SpA and its subsidiaries (the Eurotech Group) as of 30 June 2018 comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related explanatory notes. The directors of Eurotech SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution n°10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the Eurotech Group as of 30 June 2018 are not prepared, in all material respects, in accordance with the International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Udine, 7 September 2018

PricewaterhouseCoopers SpA

Signed by

Maria Cristina Landro
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

PricewaterhouseCoopers SpA

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