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Consolidated Interim Financial Report
at 30 June 2016

EUROTECH

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for the convenience of readers outside Italy.
The original Italian document should be considered
the authoritative version.

This translation into English of the original document in Italian
has not been reviewed by the Independent Auditor.

Date of issue: 29 August 2016
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www.eurotech.com

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

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Corporate Bodies

Board of Directors	
Chairman	Roberto Siagri [7]
Director	Giulio Antonello [1 2 3 7]
Director	Sandro Barazza [1 4]
Director	Riccardo Costacurta [1 2 3 5 6]
Director	Alberto Felice De Toni [1 2]
Director	Chiara Mio [1 2 3 5 6 7 8]
Director	Dino Paladin [1]
Director	Giuseppe Panizzardi [1 6]
Director	Marina Pizzol [1 5]

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 24 April 2014 and supplemented by the Annual General Meeting of 24 April 2015 and of 22 April 2016; and will remain in office until approval of the 2016 financial statements.

Board of Statutory Auditors	
Chairman	Claudio Siciliotti
Statutory auditor	Michela Cignolini
Statutory auditor	Giuseppe Pingaro
Substitute auditor	Laura Briganti
Substitute auditor	Gianfranco Favaro

The Board of Statutory Auditors currently in office was appointed by shareholders at the Annual General Meeting of 24 April 2014, and will remain in office until the approval of the 2016 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 Companies 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 Committee for Related Party Transactions.
[4] Corporate Financial Reporting Manager as from 29 May 2008.
[5] Member of the Control and Risks Committee.
[6] Member of the Remuneration Committee.
[7] Member of the Appointments Committee
[8] Lead Independent Director.

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 Milan stock market since 30 November 2005.

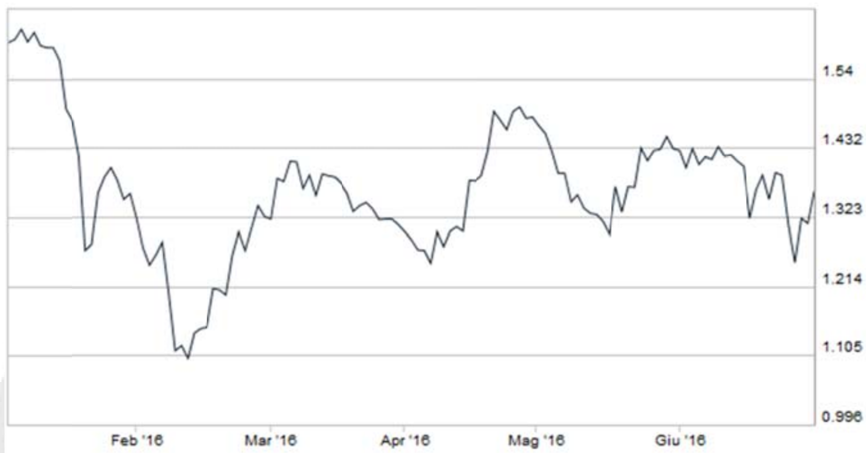
Share capital of Eurotech S.p.A. at 30 June 2016

Share capital	Euro 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 2016)	Euro 47 milioni
Stock market capitalisation (based on the share's reference price at 30 June 201)	Euro 48 milioni

Performance of Eurotech S.p.A. shares

Relative performance of EUROTECH S.p.A. shares
01.01.2016 – 30.06.2016

The line chart 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 per the procedure indicated in Article 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 2015 was prepared in accordance with IAS 34 - Interim Financial Reporting and Article 154-ter of the Consolidated Finance Law ("TUF"). This consolidated interim financial report does not include all the information 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 2014.
Unless otherwise stated, data are expressed in thousands of euro.

Performance highlights

Income statement highlights

(€'000)	1H 2016	%	1H 2015	%	% change
OPERATING RESULTS					
SALES REVENUES	28,439	100.0%	30,175	100.0%	-5.8%
GROSS PROFIT MARGIN	14,230	50.0%	15,139	50.2%	-6.0%
EBITDA	(473)	-1.7%	(2,552)	-8.5%	81.5%
EBIT	(3,005)	-10.6%	(5,243)	-17.4%	42.7%
PROFIT (LOSS) BEFORE TAXES	(3,068)	-10.8%	(4,862)	-16.1%	36.9%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	(2,809)	-9.9%	(4,502)	-14.9%	37.6%

Balance sheet and financial highlights

FINANCIAL HIGHLIGHTS	at June 30, 2016	at December 31, 2015
Non-current assets	**101,955**	**96,204**
- of which net intangible assets	95,059	89,682
- of which net tangible assets	3,220	3,325
Current assets	**46,075**	**49,249**
TOTAL ASSETS	**148,030**	**145,453**
Group shareholders' equity	**109,701**	**105,337**
Minority interest	**0**	**0**
Non-current liabilities	**11,428**	**11,040**
Current liabilities	**26,901**	**29,076**
TOTAL LIABILITIES AND EQUITY	**148,030**	**145,453**

€'000	at June 30, 2016	at December 31, 2015
NET FINANCIAL POSITION	**989**	**219**
NET WORKING CAPITAL	**16,752**	**16,991**
NET INVESTED CAPITAL*	**110,690**	**105,556**
CASH FLOW DATA		
Cash flow generated (used) in operations	(1,632)	(3,503)
Cash flow generated (used) in investment activities	1,209	(459)
Cash flow generated (absorbed) by financial assets	(570)	419
Net foreign exchange difference	26	869
TOTAL CASH FLOW	**(967)**	**(2,674)**

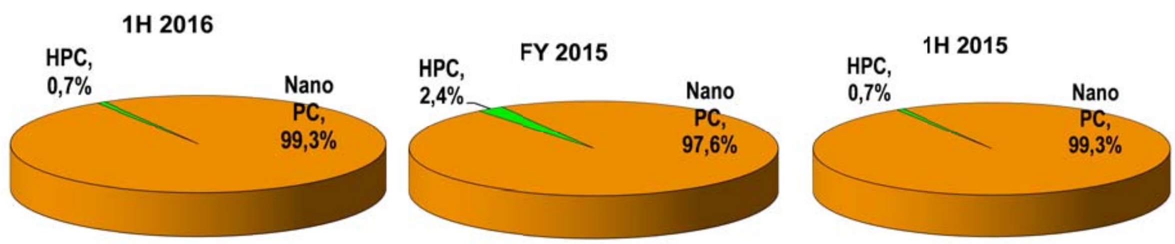
(*) Non-current non-financial assets, plus working capital, less non-current non-financial liabilities.

Employees headcount

	at June 30, 2016	at December 31, 2015	at June 30, 2015
EMPLOYEES	323	341	375

Revenues by business line

(€'000)	NanoPC				High Performance Computer				Total			
	1H 2016	1H 2015	% YoY Change	FY 2015	1H 2016	1H 2015	% YoY Change	FY 2015	1H 2016	1H 2015	% YoY Change	FY 2015
Sales revenues	28,228	29,977	-5.8%	63,979	211	198	6.6%	1,572	28,439	30,175	-5.8%	65,551



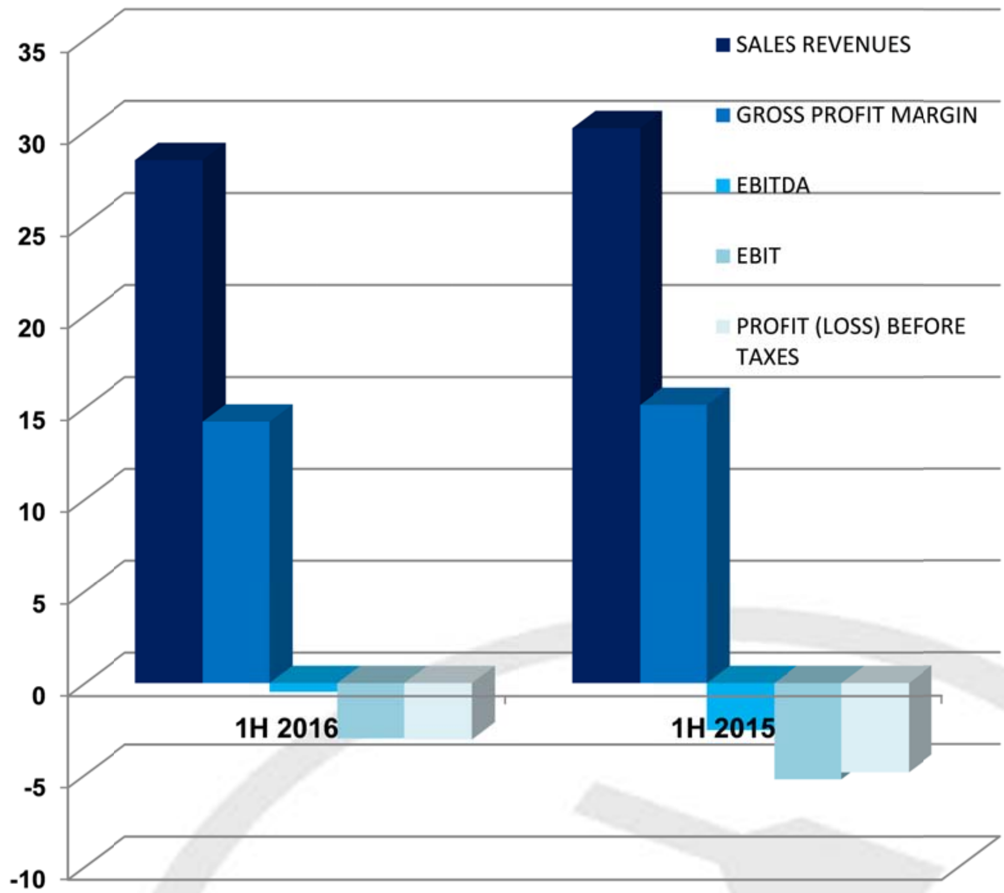
The business lines covered by the Group are 'NanoPCs' and 'HPCs' (High Performance Computers). The NanoPC line comprises: miniaturised electronic modules and systems for the transport, logistics, defence, security, medical and industrial sectors; machine-to-machine software platform (M2M) for Internet of Things applications (IoT). The HPC line consists of highly energy-efficient supercomputers, currently targeting universities, research institutes and computing centres. Volumes in the HPC business line are affected by the cyclicality of the purchasing model of our clients operating in this sector.

In view of the clear predominance of the NanoPC business line, information broken down by region has been provided only for this line, in relation to the Group's various units and based on the way in which these are monitored by top management. There are no significant transactions between the business lines.
The Group's geographical regions in the NanoPC line are defined according to the location of Group assets and transactions. These regions are currently: Europe, North America and Asia.

Revenues of the NanoPC line by business region

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1H 2016	1H 2015	%YoY Change	1H 2016	1H 2015	%YoY Change	1H 2016	1H 2015	%YoY Change	1H 2016	1H 2015	%YoY Change	1H 2016	1H 2015	%YoY Change
Third party Sales	10,224	11,512		7,783	8,897		10,221	9,568		0	0		28,228	29,977	
Infra-sector Sales	318	287		1,643	1,603		103	175		(2,064)	(2,065)		0	0	
Total Sales revenues	10,542	11,799	-10.7%	9,426	10,500	-10.2%	10,324	9,743	6.0%	(2,064)	(2,065)	0.0%	28,228	29,977	-5.8%

Performance



The Eurotech Group

Eurotech is a global company with a strong international focus, which generates sales on three continents. It's 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.
In this perspective, Eurotech creates miniaturised computers for special uses, software platform for M2M integration (NanoPC) and supercomputers with high computing capacity and high energy efficiency (HPCs). NanoPCs and HPCs are the two major classes of devices that, by connecting to and cooperating with each other, form the pervasive computing structure previously known as the 'pervasive computing grid', which today we call the 'Internet of Things'.

In the NanoPC segment, the Group's HW offering varies according to the positions of the various products in the value stack. The NanoPC is typically a miniature computer that can take the form of:

- an embedded board (i.e. inserted within a device or a system), often used as a component of OEM products;
- an embedded subsystem used as an element of integrated systems;
- a ready-to-use device employed in a great variety of application settings, often as support for the provision of value-added services.

All Euotech NanoPC products have wireline or wireless communication channels to ensure their interconnection. It is this combination of computing and communication capabilities that makes Eurotech's NanoPCs key elements of the pervasive scenario that the company wants to create.

The Group's NanoPC offering is used in several application fields, both conventional and emerging. Eurotech is most active in the transport, industrial, medical, defence, security and logistics 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. They choose Eurotech because they want to minimise the total cost of ownership of their projects or systems. They want to reduce their time-to-market and focus on their core businesses. They often need solutions for harsh operating conditions and for mission-critical applications, or supplies assured for long periods.
In the HPC segment, Eurotech designs and creates green supercomputers with huge computing capacity, occupying little space and highly energy efficient, created via mass and parallel connection of high-performance miniaturised computers. These supercomputers – in the past aimed at cutting-edge research institutes, computing centres, and universities – are turning out to be indispensable in advanced sectors such as nanotechnology, biotechnology and cyber security. We also expect them to have a significant impact on the medical and industrial fields.

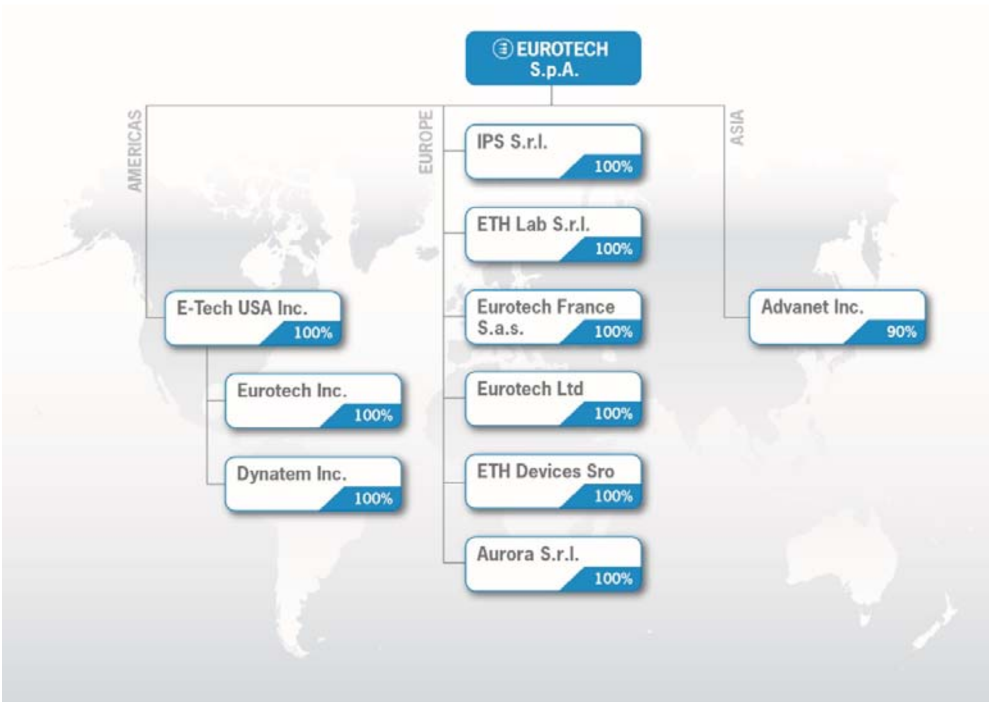
While we continue to improve our consolidated NanoPC and HPC offering, we are increasingly tackling the challenge of creating end-to-end solutions to seamlessly interconnect distributed smart objects and transport valuable data from these objects to business applications, leveraging on the Cloud IT infrastructure.
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 M2M (machine-to-machine) 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 2016, the Eurotech Group consisted of the following companies:

Company name	Business	Share capital	Group share
Parent company			
Eurotech S.p.A.	Operates in the NanoPC segment with its main focus on the Italian market and in the HPC market at global level. In terms of organisation, it performs the role of coordinating holding company at corporate level	Euro 8.878.946	
Subsidiaries and companies consolidated on a line-by-line basis			
Aurora S.r.l.	Newly formed company that should operate in the HPC sector	Euro 10.000	100,00%
Dynatem Inc.	Operates in the US NanoPC market	USD 1.000	100,00%
E-Tech USA Inc.	Holding company that controls 100% of Eurotech Inc. and Dynatem Inc.	USD 8.000.000	100,00%
ETH Devices S.r.o.	Operates in the Eastern European NanoPC sector, mainly in the handheld devices segment	Euro 10.000	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 and also operates in the high-tech security and surveillance	Euro 51.480	100,00%

	sector under the ETH Security brand		
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 2016	%	1H 2015	%
OPERATING RESULTS					
SALES REVENUES		28,439	100.0%	30,175	100.0%
GROSS PROFIT MARGIN	(*)	14,230	50.0%	15,139	50.2%
EBITDA	(**)	(473)	-1.7%	(2,552)	-8.5%
EBIT	(***)	(3,005)	-10.6%	(5,243)	-17.4%
PROFIT (LOSS) BEFORE TAXES		(3,068)	-10.8%	(4,862)	-16.1%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		(2,809)	-9.9%	(4,502)	-14.9%

(*) Gross profit margin = difference between revenues from sale of products and services and consumption of raw materials.
(**) EBITDA, an intermediate figure, is earnings before amortisation, depreciation and write-downs of non-current assets, financial income and expenses, the valuations of affiliates at equity and of 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, or earnings before financial income and expenses, the valuations of affiliates at equity and income taxes for the period.

Important recognitions and agreements with qualified international partners during 2016 followed in the wake of the investments made during 2015 and 2016 in areas strategic for the future growth of the Group's business. If on the one hand the Group strengthens its positions in the embedded computing world by keeping up innovation in the traditional computational boards and sub-systems business, on the other development of the M2M/IoT platforms is generating important results, even if they are still hardly seen in economic terms, contrary to the investments made.
The marketing and sales actions taken to develop supply relationships with international companies that see Eurotech's solutions as technologically innovative elements for innovating their product ranges so they can enter the IoT paradigm and get a competitive advantage in their markets continued in the first half of 2016 as well.

With respect to the current situation, management is still very attentive to the industrial margins - and to the gross profit margin in particular - which has remained constant over the years, thus reflecting considerable work done in the component and semi-finished product purchasing stage. An overall reduction of costs and their steady control in order to reduce operating costs are also seen.

Investments in the IoT area are producing the results expected in terms of international positioning of the brand and creating an ecosystem of partners. Business development is promising, even if in this historical era of evolution of the new big IoT market the customers' implementation of projects goes through a testing stage, followed by pilot implementations that are then gradually extended expanding a bit the generation times of expected revenues. This is generating growth in turnover that follows an exponential curve instead of a linear trend, therefore slow in the beginning but with a prospect of sizeable growth as soon as a critical mass is reached. By virtue of the progress of the strategy's implementation, more tangible results in terms of order book will be seen in the quarters to come, whereas the impact on turnover will be seen afterwards due to the curve of adoption of the new IoT technologies by the customers described above.

Group revenues in the first half of 2016 totalled €28.44 million, compared to €30.17 million in the first half of 2015. The reduction in turnover - mitigated by the performance of the currencies in which the financial statements of the foreign companies are drawn up and the consequent translation of the local financial statements into the functional currency, the Euro, to only a minimum extent - was caused by a transitory situation that arose above all in the USA area and partly in Japan. This situation was marked by a transition phase between the conclusion of the supply of some personalised products tied to orders and projects acquired in past years and the new project being worked on with both new and already consolidated customers. The partial misalignment in time between the phase-out of end-of-life projects and the phase-in of new projects was partly caused by the changes introduced in the sales structure, which was heavily updated in the USA area and, to a lesser extent, in the Japanese area toward the end of 2015 and in early 2016. If on the one hand this change furnished enormous impetus to the proposition of the offer of solutions for the emerging IoT market and contributed to improving the overall margins, on the other it introduced several temporary slowdowns in the management of the traditional business.

In analysing the geographical areas of reference, it is evident that although the USA market is the one that generated the highest turnover, it sustained a decrease as compared to the same period last year. Exchange rate remaining constant, the Japanese area is still basically in line with its turnover of last year, and the European area continues to concentrate on opportunistic businesses and seek customer throughout the EMEA region, therefore venturing outside the borders of the European Union to go where opportunities might arise more easily.

Before commenting on the income statement figures in more detail, we must point out that some of them reflect the effects of the recognition in the accounts of purchase price allocations [A]relating to the business combinations of Advanet Inc. and Dynatem Inc. (the latter for 2015 only).
Actual results with and without the effect of purchase price allocation are summarised below:
- rather than -€3.00 million, the EBIT figure would have been -€1.81 million;
- rather than -€3.07 million, the pre-tax result would have been -€1.88 million;
- rather than -€2.81 million, the Group net result would have been -€2.09 million.

The gross profit margin of the period is in line with management's target at the beginning of the year, and was recorded at 50.0%. The gross profit margin therefore maintained a percentage of turnover similar to those of year-end 2015 and the first half of 2015 in the half year that just ended. More specifically, during the second quarter margins slightly recovered compared to the first quarter of the year. Slight fluctuations in gross profit margin have always been seen in the various periods examined and are a historical element tied to the mix of products sold, which give different margins depending on the type of product, the fields of application and the geographic market outlets.

In addition to keeping the gross profit margin steady, another element management is paying close attention to this year is reducing operating costs. During the first half of 2016, operating costs before adjustments decreased by €1.43 million (7.53%), falling from €19.01 million of the first half of 2015 to €17.58 million of the first half of 2016. This decrease in operating costs is consequent to a cut in costs for services and a reduction in the net absolute number of employees, with qualified personnel recruited only for positions strictly connected with the strategic vision, and reduction abroad of personnel mainly assigned to production with a view to use specialised outsourcers more extensively. This reduction in costs made an impact on Group EBITDA.
Due to the marked reduction in costs during the half year despite the performance of revenues described above, the incidence of gross operating costs on revenues remained basically unchanged at 61.8% (compared to 62.9% of the first half of 2015).

EBITDA in the periods considered went from -€2.55 million in the first half of 2015 to -€0.47 million in the first half of 2016. EBITDA as a percentage of revenues was reported at -1.7% compared to -8.5% in the first half of 2015. The difference between the two periods is due not only to the reduction in operating costs described above, but also to the capital gain of €1.705 million made from the sale of the security and traffic business unit of the subsidiary IPS Sistemi Programmabili S.r.l. as explained in the relevant note.

[A] In detail, the effects of the recognition in the accounts of purchase price allocation relating to the business combinations of Advanet Inc. and Dynatem Inc. can be summarised as follows:

- amortisation, depreciation and write-downs: €1.19 million (€1.27 million at 30 June 2015), equal to the higher amortisation charged to the higher values attributed to intangible assets (particularly customer relationships);
- lower income taxes: €0.47 million (€0.50 million at 30 June 2015) resulting from the tax effect on adjustments made.

EBIT rose from -€5.24 million in the first half of 2015 to -€3.00 million in the first half of 2016. EBIT as a percentage of revenues was -10.6% in the first half, compared with -17.4% in the same period of 2015. This performance reflects the EBITDA performance described above as well as depreciation and amortisation recognised in the income statement in the first six months of 2016. Depreciation and amortisation derive from both operating assets becoming subject to depreciation in the first half and the non-monetary effects arising from price allocation relating to the acquisitions of Dynatem Inc. (for 2015 only) and Advanet Inc. The effect on EBIT of the higher values attributed as a result of PPA was €1.19 million in the first half of 2016, compared with €1.27 million in the first half of 2015.

Affected by the performance of the currencies, financial management during the first six months of 2016 generates a loss of €0.14 million, compared with a gain of €0.22 million in the first six months of 2015. Contributing to this loss were mainly the exchange rate differences due to the trend of the foreign currencies. Overall, in fact, foreign exchange differences had a positive effect on the period of €136 thousand compared with a positive effect of €470 thousand in the first half of 2015, while financial management relating to interest had an effect of €277 thousand vs €254 thousand in the first half of 2015.

A pre-tax loss of €3.07 million was registered for the first half of 2016 (compared with a loss of €4.86 million in the same period a year previously). This performance was influenced by the factors outlined above. The effect of PPA on the pre-tax result was €1.19 million in the first half of 2016 and €1.27 million in the first half of 2015.

The Group registered a net loss in operating assets of 2.81 million in the first half of 2016, compared with a net loss of €4.50 million in the first half of 2015. Not only does it reflect the changes in the pre-tax result, but the performance also was caused by the effect of the tax burden on the Group's various units.
Total PPA effects on the Group net result in the first half of 2016 amounted to €0.72 million (first half of 2015: €0.77 million).

As indicated in the explanatory notes to the condensed consolidated interim financial statements (Note D), the Group discloses segment information based on the product sectors in which it develops its activity (NanoPCs and HPCs) and, exclusively in NanoPCs, based on the regions in which the various Group companies operate and are currently monitored. These are defined by the location of goods and operations carried out by individual Group companies. They are: Europe, North America and Asia.

More specifically, below we have broken down the trend in revenues and margins in the individual business areas and the changes occurring in the reporting period.

(€'000)	NanoPC			High Performance Computer			Total		
	1H 2016	1H 2015	%YoY Chg	1H 2016	1H 2015	%YoY Chg	1H 2016	1H 2015	%YoY Chg
Sales and service revenue by segment									
Sales and service revenue by segment	28,228	29,977	-5.8%	211	198	6.6%	28,439	30,175	-5.8%
Ebitda by segment	25	(1,785)	-101.4%	(498)	(767)	35.1%	(473)	(2,552)	-81.5%
Ebit by segment	(2,419)	(4,393)	44.9%	(586)	(850)	31.1%	(3,005)	(5,243)	42.7%
Total EBIT							(3,005)	(5,243)	42.7%
Net finance income (expense)							(141)	216	165.3%
Shares of associates' profit (loss)	78	165					78	165	-52.7%
Profit before tax of continuing operations							(3,068)	(4,862)	36.9%
Income tax							259	360	28.1%
Net profit (loss)							(2,809)	(4,502)	37.6%

The breakdown of the NanoPC business line by region is as follows:

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1H 2016	1H 2015	%YoY Change	1H 2016	1H 2015	%YoY Change	1H 2016	1H 2015	%YoY Change	1H 2016	1H 2015	%YoY Change	1H 2016	1H 2015	%YoY Change
Third party Sales	10,224	11,512		7,783	8,897		10,221	9,568		0	0		28,228	29,977	
Infra-sector Sales	318	287		1,643	1,603		103	175		(2,064)	(2,065)		0	0	
Total Sales revenues	10,542	11,799	-10.7%	9,426	10,500	-10.2%	10,324	9,743	6.0%	(2,064)	(2,065)	0.0%	28,228	29,977	-5.8%
Gross profit	4,302	4,316	-0.3%	4,239	5,137	-17.5%	6,019	5,910	1.8%	(438)	(188)	133.0%	14,122	15,175	-6.9%
Gross profit margin - %	40.8%	36.6%		45.0%	48.9%		58.3%	60.7%					50.0%	50.6%	
EBITDA													25	(1,785)	-101.4%
EBITDA margin - %													0.1%	-6.0%	
EBIT													(2,419)	(4,393)	-44.9%
EBIT margin - %													-8.6%	-14.7%	

North American revenues totalled €10.54 million in the first half of 2016 and €11.80 million in the first half of 2015, posting a reduction that was due to the transition between completed or in the completion phase and new projects, which caused a temporary slowdown in growth. Opportunities in the IoT sector are also taking shape according to the capabilities of the customers to implement the new IoT technologies on a large scale. The wait to roll-out the existing contracts in the transport sector is growing longer beyond all possible forecasts, and even if the project continues to be alive and current, it is not certain when it can be realized in terms of turnover.

The European business area recorded a reduction from €10.50 million of the first half of 2015 to €9.43 million of the first six months of 2016. A 10.2% decrease, including interregional sales, was mainly due to the lower turnover of the UK subsidiary, which had fewer opportunities with historical customers in the industrial embedded, defence and transport sectors than what was expected. This is why the UK subsidiary is resolutely focusing on services and product integration in the IoT sector. The opportunities generated in the transport sector in the Italian company's area, and particularly in Asia, where the creation of new infrastructures or the upgrading of the vehicles might help sales of Group products specific for that sector, are more significant. Performance is however still seesaw because the three major European countries where the Group operates (Italy, France and the UK) are still undergoing economic stagnation.

The Asian business area registered an increase of 6.0%, from €9.74 million to €10.32 million, due to the exchange rate effect. The existing orders and those expected provide rosy expectations for the end of the year, when most of the Group's turnover is historically concentrated.

In analysing revenues in the main business areas, HPC revenues were very limited in the half-year in question, but will certainly become more significant at the end of the year after a prototype is delivered to the German Juelich research centre as part of the European project DEEP-ER, which falls within the seventh framework programme (ICT-610476).

The NanoPC line registered a reduction in turnover of 5.8% (€28,228 thousand in the first half of 2016, compared with €29,977 thousand in the first half of 2016, as already mentioned).

The breakdown of revenues by type is as follows:

SALES BY TIPE	1Q 2016	%	1H 2015	%
Industrial revenues	26,596	93.5%	29,170	96.7%
Services revenues	1,843	6.5%	1,005	3.3%
TOTALE SALES AND SERVICE REVENUES	28,439	100.0%	30,175	100.0%

Below we show the geographical revenue breakdown based on customer location.

BREAKDOWN BY GEOGRAPHIC AREA	1H 2016	%	1H 2015	%
European Union	5,646	19.9%	5,709	18.9%
United States	10,664	37.5%	12,352	40.9%
Japan	10,152	35.7%	9,554	31.7%
Other	1,977	7.0%	2,560	8.5%
TOTAL SALES AND SERVICE REVENUES	28,439	100.0%	30,175	100.0%

The revenues of the Group's various companies in the US region decreased by 13.7% due to the delay in transforming opportunities into orders in the traditional business and the gradual development of IoT turnover. The US region contributed 37.5% of total turnover in the first half, and continues to predominate.
The Japanese area registered a 6.3% increase due, as explained above, to the exchange rate effect at the time of translating the financial statements. It is still the second most important area of the group and accounts for 35.7% of total turnover.
In Europe, again with reference to customer location, turnover reflected a 1.1% decrease and affected total turnover by approximately 19.9%. The area is still affected by sluggish demand.

Financial and equity position

Non-current assets

(€'000)	at June 30, 2016	at December 31, 2015	Changes
Intangible assets	95,059	89,682	5,377
Property, Plant and equipment	3,220	3,325	(105)
Investments in affiliate companies	1,009	930	79
Investments in other companies	303	308	(5)
Deferred tax assets	1,592	1,351	241
Medium/long term borrowing allowed to affiliates companies and other Group	90	0	90
Other non-current assets	682	608	74
Total non-current assets	**101,955**	**96,204**	**5,751**

Non-current assets in the above table increased from €96.20 million in financial year 2015 to €101.95 million in the first half of 2016. The change mainly reflects changes in property, plant and equipment and intangible assets arising from the different conversion ratio for financial statements in foreign currency and particularly of the Yen, as well as price allocation in the currency of the combined foreign entity and the investments made.
The change in investments in affiliates was due to adjusting the value of the affiliates to equity after financial statements approval.

The Group's main investments were as follows:

(€'000)	at June 30, 2016	at December 31, 2015	at June 30, 2015
Intangible assets	870	2,149	1,020
Property, plant and equipment	292	725	453
Investments	0	0	0
TOTAL MAIN INVESTMENTS	1,162	2,874	1,473

Current assets

(€'000)	at June 30, 2016	at December 31, 2015	Changes
Inventories	20,792	20,198	594
Trade receivables	13,170	15,715	(2,545)
Income tax receivables	301	180	121
Other current assets	1,349	1,650	(301)
Other current financial assets	0	76	(76)
Cash & cash equivalents	10,463	11,430	(967)
Total current assets	**46,075**	**49,249**	**(3,174)**

The current assets item decreased, from €49.25 million at 31 December 2015 to €46.07 million in the first half of 2016.

The decrease of trade receivables is due to their collection at the pre-established due dates, while the decrease in cash and cash equivalents is to be particularly attributed to its use to repay loan portions, in addition to cover 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, 2016 (b)	at December 31, 2015 (a)	Changes (b-a)
Inventories	20,792	20,198	594
Contracts in progress	0	0	0
Trade receivables	13,170	15,715	(2,545)
Income tax receivables	301	180	121
Other current assets	1,349	1,650	(301)
Current assets	*35,612*	*37,743*	*(2,131)*
Trade payables	(12,114)	(14,381)	2,267
Income tax liabilities	(251)	(866)	615
Other current liabilities	(6,495)	(5,505)	(990)
Current liabilities	*(18,860)*	*(20,752)*	*1,892*
Net working capital	**16,752**	**16,991**	**(239)**

Net working capital went slightly down compared to 31 December 2015. This change is the result of a combination of various elements: the increased inventory value, attributed to the purchase of components and products to fulfil the deliveries scheduled in the upcoming quarters; decreased trade receivables, which is due to a greater concentration of turnover at the end of the year compared to the end of the first half; and reduced trade payables and the increase of other current liabilities.

Net financial position

The net financial position at the end of each period is broken down in the following table.

(€'000)		at June 30, 2016	at December 31, 2015
Cash & cash equivalents	A	(10,463)	(11,430)
Cash equivalent	**B=A**	**(10,463)**	**(11,430)**
Other current financial assets	C	0	(76)
Derivative instruments	D	17	8
Short-term borrowing	E	8,024	8,316
Short-term financial position	**F=C+D+E**	**8,041**	**8,248**
Short-term net financial position	**G=B+F**	**(2,422)**	**(3,182)**
Medium/long term borrowing	H	3,501	3,401
Medium-/long-term net financial position	**I=H**	**3,501**	**3,401**
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	**J=G+I**	**1,079**	**219**
Medium/long term borrowing allowed to affiliates companies and other Group companies	K	(90)	0
(NET FINANCIAL POSITION) NET DEBT	**L=J+K**	**989**	**219**

With reference to cash and cash equivalents, the change is chiefly due to payment of the portions of loans and the disbursement for investments made in the different business lines, in addition to its use to support current operations.

Cash flow

(€'000)	at June 30, 2016	at December 31, 2015	at June 30, 2015
Cash flow generated (used) in operations	(1,632)	(3,503)	(6,755)
Cash flow generated (used) in investment activities	1,209	(459)	926
Cash flow generated (absorbed) by financial assets	(570)	419	764
Net foreign exchange difference	26	869	758
Increases (decreases) in cash & cash equivalents	(967)	(2,674)	(4,307)
Opening amount in cash & cash equivalents	11,430	14,104	14,104
Cash & cash equivalents at end of period	10,463	11,430	9,797

Investments and research and development activities

At 30 June 2016, technical investments (tangible assets) in equipment and instruments amounted to €130 thousand, while investments in other assets amounted to €112 thousand and those concerning improvements to owned assets amounted to €49 thousand.
During the period, the Group worked on industrial research and development and technological innovation relating both to new products and to process improvements.
The research led to the development of new products/applications in the field of high-integration and low-consumption computers and embedded 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 boosting corporate competitiveness. The costs of developing new products were capitalised at €848 thousand in the reporting period (€962 thousand in the first half of 2015).

Competitive scenario, outlook and future growth strategy

Due to the integration and strengthened relations between the Group's various companies, the global positioning of the Group in the emerging M2M/IoT market as well as the Group's sound financial position, the outlook has some positive trends for the second half of 2016 even though market conditions in some sectors and regions remain uncertain. From a financial perspective, in addition to Group cash and equivalents, the ongoing support of banks is still an important factor in riding out the current economic climate and 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 actions:

- in NanoPCs, the development and offering of new products/solutions with higher value-added, with a special focus on creating application-ready platforms and ready-to-use products;
- in both NanoPCs and HPCs, a focus on products/solutions increasingly closer to the paradigm of pervasive computing and cloud computing;
- strengthening commercial activities, particularly with regard to indirect sales channels along with direct ones;
- increased operating effectiveness in all areas where it is possible to capitalise on the integration between the individual Group companies and where economies of scale are achievable;
- 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 on the stock market during the first half of 2016.

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, note that the Group does not hold sovereign debt securities.

Process of simplifying the 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 Articles 70, paragraph 8, and 71, paragraph 1-bis of the Regulations adopted by Consob with its resolution no. 11971 of 14 May 1999 as amended and supplemented, therefore benefiting from the right to derogate from the obligations to disclose information documents 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, purchases 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 11 March 2016. It was published on the Company website at 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 - 5th Edition (January 2015)" 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

On 9th August 2016 the subsidiary EthLab S.r.l. agreed with the company Chengdu Vantron Technology Inc. to sell its shares (45% of the share capital) in the same company at the price of USD 850 thousand; this sale is however subject to the authorisation by the local Chinese authorities.

No other significant events took place after the end of the half-year period.

Condensed consolidated interim financial statements at 30 June 2016

Consolidated statement of financial position

(€'000)	Notes	at June 30, 2016	of which related parties	at December 31, 2015	of which related parties
ASSETS					
Intangible assets	1	95,059		89,682	
Property, Plant and equipment	2	3,220		3,325	
Investments in affiliate companies	3	1,009		930	
Investments in other companies	3	303		308	
Deferred tax assets	26	1,592		1,351	
Medium/long term borrowing allowed to affiliates companies and other Group		90	90	0	
Other non-current assets		682		608	
Total non-current assets		**101,955**		**96,204**	
Inventories	4	20,792		20,198	
Trade receivables	5	13,170	1,158	15,715	742
Income tax receivables	6	301		180	
Other current assets	7	1,349		1,650	
Other current financial assets	8	0		76	
Cash & cash equivalents	9	10,463		11,430	
Total current assets		**46,075**		**49,249**	
Total assets		**148,030**		**145,453**	
LIABILITIES AND EQUITY					
Share capital		8,879		8,879	
Share premium reserve		136,400		136,400	
Other reserves		(35,578)		(39,942)	
Group shareholders' equity	11	**109,701**		**105,337**	
Equity attributable to minority interest	11	**0**		**0**	
Total shareholders' equity	11	**109,701**		**105,337**	
Medium-/long-term borrowing	13	3,501		3,401	
Employee benefit obligations	14	2,420		2,127	
Deferred tax liabilities	26	4,730		4,572	
Other non-current liabilities	15	777		940	
Total non-current liabilities		**11,428**		**11,040**	
Trade payables	16	12,114	307	14,381	1,038
Short-term borrowing	13	8,024		8,316	
Derivative instruments	29	17		8	
Income tax liabilities	6	251		866	
Other current liabilities	17	6,495		5,505	
Total current liabilities		**26,901**		**29,076**	
Total liabilities		**38,329**		**40,116**	
Total liabilities and equity		**148,030**		**145,453**	

Consolidated income statement

(€'000)	Notes	1H 2016	of which related parties	1H 2015	of which related parties
Revenues from sales of products and services	D	28,439	931	30,175	1,595
Other revenues	23	1,929	1,705	422	
Cost of materials	18	(14,209)	(552)	(15,036)	(802)
Service costs	20	(6,091)	(26)	(6,817)	(17)
Lease & hire costs		(887)		(904)	
Payroll costs	21	(10,219)		(10,795)	
Other provisions and other costs		(379)		(492)	
Cost adjustments for in-house generation of non-current assets	22	944		895	
Depreciation & amortisation	24	(2,532)		(2,691)	
Operating profit		**(3,005)**		**(5,243)**	
Share of associates' profit of equity	3	78		165	
Finance expense	25	(702)		(1,049)	
Finance income	25	561		1,265	
Profit before taxes		**(3,068)**		**(4,862)**	
Income tax	26	259		360	
Net profit (loss)		**(2,809)**		**(4,502)**	
Minority interest		**0**		**0**	
Group net profit (loss) for period		**(2,809)**		**(4,502)**	
Base earnings (losses) per share	12	**(0.082)**		**(0.132)**	
Diluted earnings (losses) per share	12	**(0.082)**		**(0.132)**	

Consolidated statement of comprehensive income

(€/000)	1H 2016	1H 2015
Net profit (loss) before minority inerest (A)	**(2,809)**	**(4,502)**
Other elements of the statement of comprehensive income		
Other comprehensive income to be reclassified to profit or loss insubsequent periods:		
Net profit/(loss) from Cash Flow Hedge	(9)	30
Tax effect	-	-
	(9)	*30*
Foreign balance sheets conversion difference	*7,836*	*3,926*
Exchange differences on equity investments in foreign companies	(689)	2,641
Tax effect	-	-
	(689)	*2,641*
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)	*7,138*	*6,597*
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/(losses) on defined benefit plans for employees	49	(14)
Tax effect	(14)	5
	35	*(9)*
After taxes net other comprehensive income not being reclassified to profit orloss in subsequent periods (C)	*35*	*(9)*
Comprehensive net result (A+B+C)	**4,364**	**2,086**
Comprehensive minority interest	**0**	**0**
Comprehensive Group net profit (loss) for period	**4,364**	**2,086**

Consolidated statement of changes in Equity

(€'000)	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
Balance as at December 31, 2014	8,879	1,037	136,400	4,413	(38,469)	(52)	(346)	2,144	(3,097)	(8,922)	101,987	-	101,987
2014 Result allocation	-	163	-	-	(9,085)	-	-	-	-	8,922	-	-	-
Profit (loss) as at June 30, 2015	-	-	-	-	-	-	-	-	-	(4,502)	(4,502)	-	(4,502)
(loss)													
- Hedge transactions	-	-	-	-		30	-	-	-	-	30	-	30
Actuarial gains/(losses) on defined benefit plans for	-	-	-	-	-	-	(9)	-	-	-	(9)	-	(9)
- Foreign balance sheets conversion difference	-	-	-	3,926	-			-	-	-	3,926	-	3,926
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	2,641	-	-	2,641	-	2,641
Comprehensive result	-	-	-	*3,926*	-	*30*	*(9)*	*2,641*	-	*(4,502)*	*2,086*	-	*2,086*
- Other changes and transfers				207	(207)	-			-		-		-
Balance as at June 30, 2015	8,879	1,200	136,400	8,546	(47,761)	(22)	(355)	4,785	(3,097)	(4,502)	104,073	-	104,073

(€'000)	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
Balance as at December 31, 2015	8,879	1,200	136,400	10,601	(47,761)	(8)	(372)	5,718	(3,097)	(6,223)	105,337	-	105,337
2015 Result allocation	-	185	-	-	(6,408)	-	-	-	-	6,223	-	-	-
Profit (loss) as at June 30, 2016	-	-	-	-	-	-	-	-	-	(2,809)	(2,809)	-	(2,809)
Comprehensive other profit (loss):													
- Hedge transactions	-	-	-	-		(9)	-	-	-	-	(9)	-	(9)
Actuarial gains/(losses) on defined benefit plans for employees	-	-	-	-	-	-	35	-	-	-	35	-	35
- Foreign balance sheets conversion difference	-	-	-	7,836	-			-	-	-	7,836	-	7,836
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	(689)	-	-	(689)	-	(689)
Comprehensive result	-	-	-	*7,836*	-	*(9)*	*35*	*(689)*	-	*(2,809)*	*4,364*	-	*4,364*
Balance as at June 30, 2016	8,879	1,385	136,400	18,437	(54,169)	(17)	(337)	5,029	(3,097)	(2,809)	109,701	-	109,701

Consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS (€'000)	at June 30, 2016	at June 30, 2015
CASH FLOWS GENERATED BY OPERATIONS:		
Group net profit	**(2,809)**	**(4,502)**
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:		
Depreciation & amortization intangible assets, property, plant and equipment	2,532	2,691
Write-down of receivables	72	83
Interest income	(8)	(5)
Interest paid	288	278
Gain on business unit disposals	(1,705)	0
Share of net profit of associate and non-consolidated subsidiaries	(78)	(165)
Income taxes (paid) get	(1,313)	(675)
Losses/(Gains) for bringing up-to-date	0	(9)
Provision for (use of) cumulative inventory write-down	(328)	(512)
Provision for (use of) long-term employee severance indemnities	328	134
Provision for (use of) risk provision	(155)	(29)
(Provision for) / use of deferred tax asset / Provision for (use of) deferred tax liability	(83)	(322)
Changes in current assets and liabilities		
Trade receivables	2,785	1,822
Other current assets	167	(279)
Inventories and contracts in process	(1,011)	(5,322)
Trade payables	(2,037)	(661)
Other current liabilities	1,723	718
Total adjustments and changes	**1,177**	**(2,253)**
Cash flow generated (used) in operations	**(1,632)**	**(6,755)**
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Sales of tangible and intangible assets	15	18
Interest income	8	5
Purchase of intangible fixed assets	(870)	(1,020)
Purchase of tangible fixed assets	(292)	(453)
Decreases (Increases) other financial assets	76	2,469
Net investments in long-term investments and non-current assets	(70)	(93)
Cash flow generated (used) by dismissed business unit	2,342	0
Cash flow generated (used) in investment activities	**1,209**	**926**

CONSOLIDATED STATEMENT OF CASH FLOWS (€'000)	at June 30, 2016	at June 30, 2015
CASH FLOW FROM FINANCING ACTIVITIES:		
Loans taken	1,072	2,061
(Increases) decreases of loans to other Group companies	(90)	0
Interest paid	(288)	(278)
(Repaid) loans short and medium/long term	(1,264)	(1,019)
Cash flow generated (absorbed) by financial assets	**(570)**	**764**
Net foreign exchange difference	26	758
Increases (decreases) in cash & cash equivalents	**(967)**	**(4,307)**
Opening amount in cash & cash equivalents	**11,430**	**14,104**
Cash & cash equivalents at end of period	**10,463**	**9,797**

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 2016 was authorised by resolution of the Board of Directors on 29 August 2016. 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 (NanoPCs) and highly energy efficient supercomputers with high computing capacity (HPCs). 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 per the procedure indicated in Article 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 2016 were prepared in accordance with IAS 34 - Interim Financial Reporting and Article 154-ter of the TUF as amended and supplemented. These condensed consolidated interim financial statements do not include all the information required to prepare consolidated annual financial statements. Consequently, this report should be read in conjunction with the consolidated annual financial report for the year ended on 31 December 2015.
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 future these estimates and assumptions, which are based on management's best possible evaluation, 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 2015.
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 main accounting standards adopted to prepare the condensed consolidated interim financial statements were the same as those used to prepare the consolidated financial statements at 31 December 2015, except for the adoption of the new standards, amendments and interpretations in force at 01 January 2016.

Application of the new accounting standards and amendments introduced to accounting standards already in effect described below had no significant impact on the Group's consolidated financial statements.

Amendments to IAS 19 - "Defined Benefit Plans: Employee Contributions". The amendments introduced allow decreasing booking of the current service costs for the period of contributions paid by employees or third parties that do not relate to the number of years of service in place of allocating these contributions along the time span in which the service is rendered.
Annual Improvements to IFRSs - 2010–2012 Cycle. The provisions approved introduced amendments to: (i) IFRS 2, clarifying the definition of "vesting condition" and introducing the definitions of service and result conditions; (ii) IFRS 3, clarifying that the obligations to pay a potential consideration other than those falling under the definition of equity instrument are measured at fair value at every reporting date with changes recorded in the income statement; (iii) IFRS 8, requiring that disclosure of information on the measurements made by corporate management in the combination of operating segments be given by describing the segments that were combined and the economic indicators that were measured to determine whether the combined segments have similar characteristics; (iv) IAS 16 and IAS 38, clarifying the method of determining the gross carrying amount of the assets in the case of a revaluation resulting from application of the model to calculate the value; (v) IAS 24, establishing the information to provide when there is a third party entity that supplies key management personnel services to the entity that drafts the financial statements.

Amendments to IFRS 11 - "Accounting for Acquisitions of Interests in Joint Operations". The amendments to the standard provide guidelines on proper recognition of acquisitions arising from interests in joint operations.
Amendments to IAS 1 – "Disclosure Initiative". The proposed amendments deal with materiality, combination of items, the structure of the notes, disclosure on the accounting criteria adopted and presentation of the other total profit components arising from measurement of the equity interests using the equity method.
Amendments to IAS 27 – "Equity Method in Separate Financial Statements". The amendments will allow entities to use the equity method to recognise equity interests in subsidiaries, joint ventures and affiliates in their separate financial statements by applying the amendment retrospectively.
Amendments to IAS 16 and IAS 38 – "Clarification of Acceptable Methods of Depreciation and Amortisation". The amendments clarify use of the revenue-based methods to calculate the depreciation and amortisation of an asset.
Annual Improvements to IFRSs 2012–2014 Cycle – The approved provisions introduced amendments to: (i) IFRS 5, clarifying that the change in the method of selling assets (or disposal groups) from sale to distribution to shareholders should not be considered a new plan to sale, but rather continuation of the original plan; (ii) IFRS 7, clarifying that: (ii.a) a servicing contract that includes a fee may entail continuing involvement in a financial asset.
An entity has to define the type of fee and the agreement on the basis of the guidances in IFRS 7 on the subject of continuing involvement in order to assess whether disclosure is required; (ii.b) the requirements to disclose offsetting do not apply to condensed interim financial statements unless this disclosure supplies a significant update of the information presented in the most recent annual financial statements. (iii) IAS 19, clarifying that the active market (market depth) of the high quality corporate bonds must be defined with respect to the currency in which the bond is denominated rather than the country where the bond is located. When there is no active market for high quality corporate bonds in that currency, the rates applicable to government bonds must be used; IAS 34, clarifying that the disclosure of information required in the interim financial statements must be presented either in the interim financial statements or incorporated with cross-referencing between the interim financial statements and the part of the interim financial report containing them (e.g. the report on operations or the risk report). The disclosure presented in the interim financial report must be available for the reader in the same terms, and in the same time frame, as the interim financial statements.

The Group has not adopted in advance any new principles, interpretations or amendments which have been issued but are not yet effective or are not mandatory starting from 1 January 2016.

The condensed consolidated interim financial statements are drawn up in euro, rounding amounts to the nearest thousand. They consist of the statement of financial position, the income statement, the statement of comprehensive income, the Consolidated statement of changes in Equity, the Consolidated statement of cash flows, and the following explanatory notes.

The data used for consolidation have been taken from the income statements and balance sheets prepared by the Directors of individual subsidiaries. These figures have been appropriately amended and restated as necessary to align them with international accounting policies and with uniform group-wide classification policies.

C – 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), determining their financial and operating decisions, and the right to obtain related 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 basis of consolidation on a line-by-line basis at 30 June 201 are as follows:

Company name	Registered offices	Share capital	Group share
Parent company			
Eurotech S.p.A.	Via Fratelli Solari, 3/A – Amaro (UD)	Euro 8.878.946	

Subsidiary companies consolidated line-by-line				
Aurora S.r.l.	Via Fratelli Solari, 3/A – Amaro (UD)	Euro	10.000	100,00%
Dynatem Inc.	Mission Viejo (USA)	USD	1.000	100,00%
ETH Devices S.r.o.	Bratislava (Slovacchia)	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 (Francia)	Euro	795.522	100,00%
I.P.S. Sistemi Programmabili S.r.l.	Via Piave, 54 – Caronno Varesino (VA)	Euro	51.480	100,00%
Advanet Inc.	Okayama (Giappone)	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.

Subsidiaries valued at equity		
Chengdu Vantron Technology Inc.	Chengdu (Cina)	45,00%
eVS embedded Vision Systems S.r.l.	Ca' Vignal2, Strada Le Grazie 15 – Verona	24,00%
Emilab S.r.l.	Via F.lli Solari, 5/A – Amaro (UD)	24,82%
Rotowi Technologies S.p.A. in liquidation (ex U.T.R.I. S.p.A.)	Via Carlo Ghega, 15 – Trieste	21,31%

Other smaller companies valued at cost		
Kairos Autonomi	Salt Lake City (USA)	19,00%

No changes in subsidiaries compered to 31 December 2015.

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 2016	As of June 30, 2016	Average 2015	As of December 31, 2015	Average 6Months 2015	As of June 30, 2015
British pound sterling	0.77877	0.82650	0.72600	0.73395	0.73233	0.71140
Japanese Yen	124.41362	114.05000	134.28658	131.07000	134.20424	137.01000
USA Dollar	1.11594	1.11020	1.10963	1.08870	1.11579	1.11890

D – Segment reporting

For management purposes, the Group is organised into business segments: the “NanoPC” and "HPC (High Performance Computers)" segments. Given the HPC segment’s current low contribution to total Group turnover, detailed information is provided solely for the NanoPC segment, broken down geographically in relation to the various Group entities currently monitored by senior management. There were no significant transactions between business segments.
The geographical areas in the NanoPC segment are defined according to the location of Group assets and operations. Those identified are: Europe, North America and Asia.
Management monitors the EBIT of the individual business units separately for the purposes of resources allocation and performance assessment.

Business segments

The following table shows data on revenues and Group results for the half-years at 30 June 2016 and 30 June 2015 respectively.

(€'000)	NanoPC			High Performance Computer			Total		
	1H 2016	1H 2015	%YoY Chg	1H 2016	1H 2015	%YoY Chg	1H 2016	1H 2015	%YoY Chg
Sales and service revenue by segment									
Sales and service revenue by segment	28,228	29,977	-5.8%	211	198	6.6%	28,439	30,175	-5.8%
Ebitda by segment	25	(1,785)	-101.4%	(498)	(767)	35.1%	(473)	(2,552)	-81.5%
Ebit by segment	(2,419)	(4,393)	44.9%	(586)	(850)	31.1%	(3,005)	(5,243)	42.7%
Total EBIT							(3,005)	(5,243)	42.7%
Net finance income (expense)							(141)	216	165.3%
Shares of associates' profit (loss)	78	165					78	165	-52.7%
Profit before tax of continuing operations							(3,068)	(4,862)	36.9%
Income tax							259	360	28.1%
Net profit (loss)							(2,809)	(4,502)	37.6%

The breakdown of revenues for the NanoPC segment is as follows:

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1H 2016	1H 2015	%YoY Change	1H 2016	1H 2015	%YoY Change	1H 2016	1H 2015	%YoY Change	1H 2016	1H 2015	%YoY Change	1H 2016	1H 2015	%YoY Change
Third party Sales	10,224	11,512		7,783	8,897		10,221	9,568		0	0		28,228	29,977	
Infra-sector Sales	318	287		1,643	1,603		103	175		(2,064)	(2,065)		0	0	
Total Sales revenues	10,542	11,799	-10.7%	9,426	10,500	-10.2%	10,324	9,743	6.0%	(2,064)	(2,065)	0.0%	28,228	29,977	-5.8%

The table below shows assets and investments in the Group’s individual business segments at 30 June 2016 and 31 December 2015.

(€'000)	NanoPC		High Performance Computer		Total	
	1H 2016	FY 2015	1H 2016	FY 2015	1H 2016	FY 2015
Assets and liabilites						
Segment assets	144,381	142,408	2,248	1,718	146,629	144,126
Investments in subsidiaries non consolidated, associate & other companies	1,312	1,238	0	0	1,312	1,238
Unallocated assets					89	89
Total assets	**145,693**	**143,646**	**2,248**	**1,718**	**148,030**	**145,453**
Segment liabilities	35,569	36,782	2,760	3,334	38,329	40,116
Unallocated liabiities					0	0
Total liabilities	**35,569**	**36,782**	**2,760**	**3,334**	**38,329**	**40,116**
Other segment information						
Investments in tangible assets	265	709	27	16	292	725
Investments in intangible assets	870	2,118	0	31	870	2,149
Depreciation & amortisation	2,444	5,483	88	171	2,532	5,654

Segment assets at 30 June 2016 do not include the tax credits of the Parent Company (€0.1 million).

Assets and investments in the NanoPC segment by region are shown in the table below:

(€' 000)	North America		Europe		Asia		Correction, reversal and elimination		Total	
	1H 2016	FY 2015	1H 2016	FY 2015	1H 2016	FY 2015	1H 2016	FY 2015	1H 2016	FY 2015
Activities by sector	38,924	45,590	65,584	66,938	83,025	73,212	(43,152)	(43,332)	144,381	142,408
Investments	288	1,125	612	1,176	235	526	0	0	1,135	2,827

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	12,714	79,509	22,828	2,445	29,436	146,932
Previous years' impairment	(1,063)	(7,338)	(8,774)	(49)	(141)	(17,365)
Previous years' amortisation	(9,112)	-	(5,750)	-	(25,023)	(39,885)
OPENING BALANCE	2,539	72,171	8,304	2,396	4,272	89,682
Purchases	84	-	22	764	-	870
Disposals	(798)	-	(169)	(3)	-	(970)
Other changes	(2,271)	5,118	614	(38)	3,626	7,049
Transfers	1,550	-	-	(1,550)	-	-
Amortisation in period	(831)	-	(56)	-	(1,220)	(2,107)
Reversal of cumulative amortisation	402	-	163	-	-	565
Decreases in cumulative impairment due to disposals	47	-	-	3	-	50
Other changes in cumulative impairment	195	130	598	-	3	926
Other changes in cumulative amortisation	2,100	-	10	-	(3,116)	(1,006)
TOTAL CHANGES	478	5,248	1,182	(824)	(707)	5,377
Purchase or production costs	11,279	84,627	23,295	1,618	33,062	153,881
Impairment	(821)	(7,208)	(8,176)	(46)	(138)	(16,389)
Cumulative amortisation	(7,441)	-	(5,633)	-	(29,359)	(42,433)
CLOSING BALANCE	3,017	77,419	9,486	1,572	3,565	95,059

The increase of €5.38 million is attributable to a combination of new investments totalling €0.87 million, a foreign exchange effect of €6.97 million, sale of the security and traffic business unit assets for €0.36 million, and amortisation of €2.11 million registered in the first half-year. The total value increased from €89.68 million last year to €95.06 million in the first half of 2016.

Investments made in the first six months of the year mainly relate to Group plans to develop new products, both on the new M2M technologies and on low-energy consumption products.

Other changes, other changes in cumulative impairment and other changes in cumulative amortisation refer to exchange rate differences accrued on the initial balances of values expressed in foreign currency, and specifically to goodwill and other intangible assets, in addition to the cancellation of values totally amortised at the end of the previous year, which amounted to €2.26 million. Other intangible assets includes the value of customer relationships defined at the time of purchase price allocation and with a surplus to amortise in future years in connection with Advanet Inc.

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 of 1 January 2004, goodwill has 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, 2016		at December 31, 2015	
	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Inc.	48,897	9,285	42,548	8,079
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	22,097	-	22,532	-
Eurotech Ltd. (ex Arcom Ltd.)	5,284	-	5,950	-
Eurotech France S.a.s.	1,051	-	1,051	-
Other	90	-	90	-
TOTAL	77,419	9,285	72,171	8,079

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 operations' 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 2016 the Group again critically analysed the calculation processes used at 31 December 2015, which had also been made with the support of independent experts.

The reported data for the first half of 2016 were compared with the forecasts for the half-year included in the plan and also with the figures for the original 2016 budget used at December 2015. For the various CGUs, a new impairment test as at 30 June 2016 was not considered necessary since even with prudent revised future cash flow forecasts for 2016 no loss indicators were identified that could jeopardize the valuation of the recoverability, based on value in use, of the goodwill and trademarks with an indefinite useful life for each CGU that was carried out using the impairment test at 31 December 2015. The directors therefore confirmed the valuations made at the time of the 2015 annual financial statements.
Management continues to carry out monthly analyses of the CGU's performance, especially in view of the concentration in turnover in the final quarter of the year, and, if further signs of significant impairment come to light in the second half of the year, will carry out the necessary valuations as required by the applicable accounting standards.

Generally speaking, the directors also assumed in their assessments (as they did at 31 December 2015) that, although some external and internal indicators (particularly Eurotech's stock market performance and the Group's operating result, which was not positive) might signal net asset impairment, there was no need for any write-downs. They believe that the market trend reflects the international economic situation. In terms of the internal indicators, the Group's total operating result reflects a performance that was partly forecast for the first half of 2016, which is expected to improve in the second half. It also combines the operating results of the individual entities, which does not allow for a complete and exhaustive reading of the reported data of the individual CGUs to which the goodwill and assets with an indefinite useful life are allocated. Future developments at the Eurotech group and expectations for the coming years based on existing orders, stakeholder relations and products currently in the portfolio, as well as products developed, particularly in recent years, are regarded by the Directors as important factors in support of their decision not to change the values posted.

2 – Property, plant and equipment

The 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
Purchse of production cost	1,648	5,887	4,842	5,739	-	213	18,329
Previous year's depreciation	(449)	(5,407)	(4,314)	(4,682)	-	(152)	(15,004)
OPENING BALANCE	1,199	480	528	1,057	-	61	3,325
Purchases	1	-	130	112	-	49	292
Disposals	-	(114)	(123)	(152)	-	-	(389)
Other changes	1	602	207	70	23	32	935
Depreciation in period	(18)	(91)	(126)	(165)	-	(25)	(425)
Reversal of cumulative depreciation	-	92	53	120	-	-	265
Other changes in cumulative amortisation	(1)	(582)	(174)	(1)	-	(25)	(783)
TOTAL CHANGES	(17)	(93)	(33)	(16)	23	31	(105)
Purchase or production cost	1,650	6,375	5,056	5,769	23	294	19,167
Cumulative depreciation	(468)	(5,988)	(4,561)	(4,728)	-	(202)	(15,947)
CLOSING BALANCE	1,182	387	495	1,041	23	92	3,220

The other changes item, which refers both to cost and to the related cumulative depreciation, concerns the different exchange rates at which foreign entities' values were converted at 30 June 2016 compared with those applied at 31 December 2015.

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

Leased assets refers, for €92 thousand, to assets subject to lease agreements, which are booked using the financial method and relate mainly to a machine purchased in previous years from the Japanese subsidiary Advanet and several cars that the parent company purchased.

3 – Investments in affiliates and other companies

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

	at June 30, 2016						
(€'000)	INITIAL VALUE	INCREASES	DECREASES	WRITE-UPS /WRITE-DOWN	OTHER	EOP VALUE	%OWNERSHIP
Investments in associate companies:							
Chengdu Vantron Technology Inc.	768	-	-	-	1	769	45.00%
Emilab S.r.l.	152	-	-	77	-	229	24.82%
eVS embedded Vision Systems S.r.l.	10	-	-	1	-	11	24.00%
Rotowy Technologies S.p.A. (ex U.T.R.I. S.p.A.)	-	-	-	-	-	-	21.32%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	930	-	-	78	1	1,009	
Investments in other companies:							
Cosint	4	-	-		-	4	
Consorzio Ecor' IT	2	-	-	-	-	2	
Consorzio Aeneas	5	-	-	-	-	5	
Consorzio Ditedi	11	-	-	-	-	11	7.69%
Inasset S.r.l.	44	-	-	-	-	44	0.38%
Kairos Autonomi	241	-	-	-	(5)	236	19.00%
Others	1	-	-	-	-	1	
TOTAL INVESTMENTS IN OTHER COMPANIES	308	-	-	-	(5)	303	

The write-ups/write-downs item relates to application of the equity accounting method to investments in affiliates.

Other changes relate to the difference in the exchange rate used to convert the values of the equity investments at 30 June 2016 compared with the rate applied at 31 December 2015.

Eurotech owns the following equity investments in affiliates to which the equity accounting method is applied:

– Chengdu Vantron Technology = 45%, following the purchase of shares in 2007, a sale of shares in December 2009, 2010 and 2011 and another purchase in 2013;
– Emilab Srl = 24.82%, created in 1998;
– eVS embedded Vision Systems S.r.l. = 24%, created in the first half of 2007 as a spin-off from the University of Verona;
– Rotowi Technologies S.p.A. in liquidazione (formerly U.T.R.I. S.p.A.) = 21.32%, following a capital increase and the purchase of shares in 2007 and 2008.

4 - Inventories

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

(€'000)	at June 30, 2016	at December 31, 2015
Raw & auxiliary materials and consumables - gross	8,192	7,965
Inventory write-down provision	(1,498)	(1,249)
Raw & auxiliary materials and consumables - net	**6,694**	**6,716**
Work in process and semi-finished goods - gross	4,297	2,540
Inventory write-down provision	(413)	(635)
Work in process and semi-finished goods	**3,884**	**1,905**
Finished poducts and goods for resale - gross	11,406	12,933
Inventory write-down provision	(1,291)	(1,418)
Finished products and goods for resale - net	**10,115**	**11,515**
Advances	**99**	**62**
TOTAL INVENTORIES	20,792	20,198

Inventories at 30 June 2016 amounted to €20.79 million, net of inventory write-down provision totalling €3.20 million. The amount of the inventory write-down provision was still in line with the previous year due to the combined effect of the provisions made during the period and the uses that reduced it following the freeing up of items in the warehouse previously written down entirely or partly and that were instead used or sold at a value higher than the net book value.

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, 2016	at December 31, 2015
OPENING BALANCE	**3,302**	**3,173**
Provisions	442	864
Other changes	228	(42)
Utilisation	(770)	(693)
CLOSING BALANCE	3,202	3,302

Other changes reflects 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.

5 – Trade receivables

The schedule below shows the breakdown of trade receivables and the respective adjustment reserves at 30 June 2016 and 31 December 2015:

(€'000)	at June 30, 2016	at December 31, 2015
Trade receivables - customers	13,082	17,958
Trade receivables medium/long term - customers	540	0
Doubtful debt provision	(452)	(2,243)
TOTAL TRADE RECEIVABLES	13,170	15,715

Note that, at the reporting date, the Group did not present significant concentrations of credit risk. 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 €2.55 million compared with 31 December 2015. The decrease was mainly due to regular as-due payment of trade receivables, as well as to the different distribution of turnover in the half-year compared with the usual situation in the final months of the year.
The receivables include €0.1 million in bank receipts presented subject to collection, but not yet due at the end of the period.

No transactions to sell receivables have been entered into during 2016.

Receivables are shown after a doubtful debt provision of €0.45 million.

CHANGES IN CUMULATIVE DOUBTFUL DEBT PROVISION - € '000	at June 30, 2016	at December 31, 2015
OPENING BALANCE	**2,243**	**2,534**
Provisioning	71	147
Other changes	(37)	263
Utilisation	(1,825)	(701)
CLOSING BALANCE	452	2,243

The net decrease in the period was €1,791 thousand, due to the combined effect of €71 thousand in allocations in the period to adjust, individually, the amounts of the receivables to their presumed realisable value, and the difference for the different exchange rate used (-€37 thousand), as well as the use of the provision for €1,825 thousand, since the

conditions for deducting the allocation made were met. In particular, the agreement was found with the US customer to partially collect a receivable that had already been written down for an amount higher than the net carrying value.
Group policy is to specifically identify the individual receivables to be written down, and the allocations made therefore reflect a specific write-down.

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.

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 amounted to €162 thousand (2015: €756 thousand), while Italian tax payables amounted to €89 thousand (2015: €110 thousand).

7 – Other current assets

The table below shows the composition of other current assets at 30 June 2016 and 31 December 2015:

(€'000)	at June 30, 2016	at December 31, 2015
Amounts receivable for grants	2	300
Advance payments to suppliers	156	222
Tax receivables	74	237
Other receivables	188	121
Accrued income and prepaid expenses	929	770
TOTAL OTHER CURRENT ASSETS	1,349	1,650

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 booked under current assets decreased by €76 thousand.

The value referring to 2,500 shares of Veneto Banca Holding S.c.a.r.l. held in portfolio and purchased at the end of June 2012 was fully written down during the half-year in order to adapt it to a market value that currently corresponds to €0.1. These assets were classified as financial assets recorded in the income statement at fair value.

9 – Cash & cash equivalents

The schedule below shows the composition of cash and equivalents at 30 June 2016 and 31 December 2015:

(€'000)	at June 30, 2016	at December 31, 2015
Bank and post office deposits	10,433	11,397
Cash and valuables in hand	30	33
TOTAL CASH & CASH EQUIVALENTS	10,463	11,430

Bank deposits are mostly on demand and are remunerated at a variable rate of interest. The fair value of cash and cash equivalents was €10.46 million (€11.43 million at 31 December 2015).
Cash and cash equivalents decreased by €0.97 million compared to 31 December 2015, due mainly to the payment of instalments on loans falling due during the first half-year (€0.9 million) and investments in tangible (€0.3 million) and intangible (€0.9 million) assets made in the period and to support operating activities and to open new loans (€1.1 million).

10 – Net financial position

The Group's net financial position is shown below:

(€'000)		at June 30, 2016	at December 31, 2015
Cash & cash equivalents	A	(10,463)	(11,430)
Cash equivalent	**B=A**	**(10,463)**	**(11,430)**
Other current financial assets	C	0	(76)
Derivative instruments	D	17	8
Short-term borrowing	E	8,024	8,316
Short-term financial position	**F=C+D+E**	**8,041**	**8,248**
Short-term net financial position	**G=B+F**	**(2,422)**	**(3,182)**
Medium/long term borrowing	H	3,501	3,401
Medium-/long-term net financial position	**I=H**	**3,501**	**3,401**
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	**J=G+I**	**1,079**	**219**
Medium/long term borrowing allowed to affiliates companies and other Group companies	K	(90)	0
(NET FINANCIAL POSITION) NET DEBT	**L=J+K**	**989**	**219**

At 30 June 2016 the Group had net financial debt of €0.99 million due to the disbursement to support current operations and investments made in the various business areas.

11 – Equity

The schedule below shows the composition of shareholders' equity at 30 June 2016 and 31 December 2015:

(€'000)	at June 30, 2016	at December 31, 2015
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(35,578)	(39,942)
Group shareholders' equity	**109,701**	**105,337**
Equity attributable to minority interest	**0**	**0**
Total shareholders' equity	**109,701**	**105,337**

The share capital at 30 June 2016 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 2016 amounted to €1.38 million and increased by €185 thousand following allocation of part of the 2015 annual results of the Parent Company.

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 €18.44 million was generated by inclusion in the condensed consolidated interim financial statements of the statements of financial position and income statements of US subsidiaries Eurotech Inc., Dynatem Inc. and E-Tech USA Inc., UK subsidiary Eurotech Ltd. and Japanese subsidiary Advanet Inc.

The other reserves item was negative for €54.17 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 to be attributed to allocation of the 2015 results net of the value allocated to the legal reserve.

The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IAS 39, was negative for €17 thousand and increased by €9 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 €5.03 million and decreased by €0.69 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 2015).

12 – Basic and diluted earnings per share

Basic earnings (loss) per share (EPS) is 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 base and diluted EPS.

	at June 30, 2016	at June 30, 2015
Net income (loss) attributable to parent company shareholders	(2,809,000)	(4,502,000)
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
Net income (loss):		
- per share	(0.082)	(0.132)
- per share diluted	(0.082)	(0.132)

13 - Borrowings

The following table shows the breakdown of short- and medium-/long-term borrowings at 30 June 2016:

LENDER	COMPANY	BALANCE ON 31.12.2015	BALANCE ON 30.06.2016	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months	Long term Over 5 years
CURRENT OUTSTANDINGS - (a)		4,747	4,356	4,356	-	-	-
Ministero dell'Istruzione, dell'Università e della Ricerca	Eurotech S.p.A.	44	34	17	17	17	-
FCA Bank	Eurotech S.p.A.	42	38	14	24	24	-
Unicredit Leasing	Eurotech S.p.A.	-	42	11	31	31	-
Toyota Financial Service	Eurotech S.p.A.	-	23	3	20	20	-
Finance Lease	Advanet Inc.	70	57	24	33	33	-
Finance Lease	Eurotech Inc	35	29	12	17	17	-
TOTAL OTHER FINANCINGS		191	223	81	142	142	-
Iccrea Banca Impresa	Eurotech S.p.A.	1,522	1,279	500	779	779	-
Total Group Iccrea		***1,522***	***1,279***	***500***	***779***	***779***	**-**
Banca Pop. Friuladria	Eurotech S.p.A.	-	1,000	327	673	673	-
Total Credit Agricole		**-**	***1,000***	***327***	***673***	***673***	**-**
The Chugoku Bank Ltd	Advanet Inc.	2,124	2,060	761	1,299	1,299	-
Total The Chugoku Bank Ltd		***2,124***	***2,060***	***761***	***1,299***	***1,299***	**-**
Bcc Carnia e Gemonese	Eurotech S.p.A.	150	-	-	-	-	-
Bcc Carnia e Gemonese	Eurotech S.p.A.	1,000	839	328	511	511	-
Cassa Rurale della Valle dei Laghi	EthLab S.r.l.	170	146	49	97	97	-
Total Credito Cooperativo Banks		***1,320***	***985***	***377***	***608***	***608***	**-**
Unicredit	Eurotech S.p.A.	1,813	1,622	388	1,234	1,234	-
Total Gruppo Unicredit		***1,813***	***1,622***	***388***	***1,234***	***1,234***	**-**
TOTAL BANK DEBT - (c)		6,779	6,946	2,353	4,593	4,593	-
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		6,970	7,169	2,434	4,735	4,735	-
TOTAL DEBT - [(a) + (b) + (c)]		11,717	11,525	6,790	4,735	4,735	-
RECLASSIFICATION OF CURRENT SUBJECT TO COVENANT FUNDING		-	-	1,234	(1,234)	(1,234)	-
TOTAL DEBT AFTER RECLASSIFICATION		11,717	11,525	8,024	3,501	3,501	-

A new loan of €1 million was contracted during the first half of 2016 with Banca Pop. Friuladria and portions of medium- to long-term loans falling due for €0.9 million were also repaid.

The reclassification regards a loan granted to the Parent Company in May 2015 by Unicredit for €2,000 thousand, the residual amount of which amounted to €1,622 thousand at 30 June 2016 (of which €1,234 thousand originally at medium- to long-term) falling due in 2020 to support the 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 2015 resulted in the expiry of the benefit of the term. The Parent Company has requested a waiver letter from the lending institution but at the reporting date this had not yet been obtained; the bank informally notified maintenance of the loan to the maturity date. Nevertheless, the Parent Company therefore reclassified the entire loan as short term.

14 - Employee benefits

The table below shows the breakdown of employee benefits at 30 June 2016 and 31 December 2015:

(€'000)	at June 30, 2016	at December 31, 2015
Employees' leaving indemnity	293	324
Foreing Employees' leaving indemnity	2,029	1,708
Employees' retirement fund	98	95
TOTAL EMPLOYEES' BENEFITS	2,420	2,127

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, unvested 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 "pension fund" were as follows:

	Defined benefit plans			
	Italy		Japan	
(€ '000)	at June 30, 2016	at December 31, 2015	at June 30, 2016	at December 31, 2015
Liabilities at start of period	324	309	1,708	1,523
Cost relating to present service	106	25	94	133
Finance expense	1	8	0	15
Other changes	0	0	260	167
Benefits paid out	(94)	(15)	(33)	(165)
Actuarial loss (gain) reconised	0	(3)	0	35
Liabilities at end of period	293	324	2,029	1,708

15 - Provisions for risks and charges

The schedule below shows the composition and changes of provisions for risks and charges at 30 June 2016 and 31 December 2015:

(€'000)	at December 31, 2015	Provision	Utilization	Other	at June 30, 2016
Selling agents' commission fund	58	3	-	-	61
Director termination fund	187	23	(114)	4	100
Guarantee reserve	280	-	-	(1)	279
Busting depreciable asset	294	-	-	43	337
Other long therm risk provision	121	-	(121)	-	-
TOTAL FUNDS FOR COSTS AND FUTURE RISKS	940	26	(235)	46	777

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 portion relating to several directors of the subsidiary IPS that left the company after the business unit was sold in February 2016 was liquidated during the period.

The product warranty provision is allocated based on the expectations of the charge to incur for non-fulfilment of the warranty commitment on products sold at year-end.

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

The other risks reserve allocated in 2015 for possible lawsuit losses following a tax audit of the former subsidiary Parvus Corp. on several years regarding Eurotech Group management was fully used since the amount due, corresponding to the amount allocated, was paid.

16 - Trade payables

The schedule below shows the composition of trade payables at 30 June 2016 and 31 December 2015:

(€'000)	at June 30, 2016	at December 31, 2015
Third parties	11,807	13,343
Affiliate companies	307	1,038
TOTAL TRADE PAYABLES	12,114	14,381

Trade payables at 30 June 2016 came to €12.11 million, decreasing by €2.27 million compared with 31 December 2015. 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 2016 and 31 December 2015:

(€'000)	at June 30, 2016	at December 31, 2015
Social contributions	422	557
Other	3,563	3,017
Advances from customers	493	101
Grants advances	1,445	1,072
Other tax liabilities	344	404
Accrued expanses	228	354
TOTAL OTHER CURRENT LIABILITIES	6,495	5,505

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 dates.

F - Breakdown of key income statement items

18 – Costs of raw & auxiliary materials and consumables used

(€'000)	1H 2016	1H 2015
Purchases of raw materials, semi-finished and finished products	14,955	18,127
Changes in inventories of raw materials	(25)	(504)
Change in inventories of semi-finished and finished products	(721)	(2,587)
TOTAL COST OF MATERIALS	14,209	15,036

Costs of raw & auxiliary materials and consumables used show a 5.5% decrease in the period under review, down from €15.04 million of the first half of 2015 to €14.21 million in the first half of 2016. The decrease reflects the lower turnover developed in the first half of 2016 compared to the previous period and the activity carried out when purchasing components, which keeps the gross profit margins in line with the previous periods in a phase of competition of the Asian markets that bring about price pressure.

19 – Other operating costs net of cost adjustments

(€'000)	1H 2016	1H 2015
Service costs	6,091	6,817
Rent and leases	887	904
Payroll	10,219	10,795
Accruals and other costs	379	492
Cost adjustments for in-house generation of non-current assets	(944)	(895)
Operating costs net of cost adjustments	16,632	18,113

The other operating costs item in the table above, net of cost adjustments for internal increases, decreased from €18.11 million in the first half of 2015 to €16.63 million in the first half of 2016.

The other provisions and costs include an allocation to the doubtful debt provision of €71 thousand.

20 – Service costs

(€'000)	1H2016	1H2015
Industrial services	2,386	2,730
Commercial services	1,481	1,471
General and administrative costs	2,224	2,616
Total costs of services	6,091	6,817

Service costs decreased by 10.6% between the periods under review, from €6.82 million to €6.09 million, due to the attentive cost policy as well as the different exchange rates of the financial statements of the foreign companies when converting into euro.

21 – Payroll costs

(€'000)	1H2016	1H2015
Wages, salaries and Social Security	9,731	10,559
Severance indemnities	205	166
Other costs	283	70
Total cost of personnel	10,219	10,795

In the period under review, payroll costs decreased. This net decrease, mainly due to a fewer average number of employees in the periods compared following both disposal of the security and traffic business unit in February 2016 and work force reorganisation operations in some geographical areas, is not entirely seen because of the increase of the total value due to an appreciation of the yen in the first half of 2016 compared to that of the same period of 2015.

As the table below illustrates, the number of Group employees decreased at the end of the last period, down from 341 units at 2015 year-end to 323 units at the end of the first half of 2016.

Employees	at June 30, 2016	at December 31, 2015	at June 30, 2015
Manager	6	10	11
Clerical w orkers	294	303	334
Line w orkers	23	28	30
TOTAL	323	341	375

22 – Cost adjustments for internally generated non-current assets

At 30 June 2016, cost adjustments for internally generated non-current assets amounted to €944 thousand (vs. €895 thousand at 30 June 2015). It 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 SW platforms. More specifically, if these costs had been deducted from the corresponding income statement item, there would have been a reduction of €212 thousand in materials costs (€168 thousand at 30 June 2015), €432 thousand in payroll costs (€633 thousand at 30 June 2015) and €300 thousand in services costs (€94 thousand at 30 June 2015).

23 – Other revenues

(€'000)	1H 2016	1H 2015
Government grants	16	52
Sundry revenues	1,913	370
Total other revenues	1,929	422

The "Other revenues" item includes €1,705 thousand of capital gain earned from sale of the IPS business unit described in Note 30.

24 – Amortisation, depreciation and write-downs

(€'000)	1H 2016	1H 2015
Amortisation of intangile assets	2,107	2,260
Amortisation of property, plant and equipment	425	431
Total amortisation and depreciation	2,532	2,691

Amortisation, depreciation and write-downs went from €2.69 million in the first half of 2015 to €2.53 million in the first half of 2016. This change is mainly due to the exchange rate effect of the values, which were originally stated in foreign currency and not in euro.
Amortisation relating to PPA relates exclusively to customer relationships (€1.19 million, compared with €1.27 million at 30 June 2015).
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 2016	1H 2015
Exchange-rate losses	414	771
Interest expenses	191	195
Expenses on derivatives	2	34
Other finance expenses	95	49
Financial charges	702	1,049

(€'000)	1H 2016	1H 2015
Exchange-rate gains	550	1,241
Interest income due to the discounting	0	9
Interest income	8	5
Other finance income	3	10
Financial incomes	561	1,265

Other financial charges include the write-down for impairment of the value of the Veneto Banca Holding S.c.a.r.l. shares to adapt it to the current market value during the half-year, which amounted to €76 thousand.
The performance in financial operations was influenced by exchange rate gains that in the first six months of 2016 were positive for €136 thousand compared to a net effect, again positive, in the first six months of 2015 for €470 thousand.

26 – Income tax for the period

Income taxes at 30 June 2016 were positive for €259 thousand (deriving from the net effect of expenses for current taxes totalling €264 thousand and income totalling €523 thousand, relating to the deferred taxes) compared to an again positive effect of €360 thousand at 30 June 2015 (caused by the net effect of expenses for current taxes totalling €204 thousand and income totalling €564 thousand, relating to the deferred taxes), recording a negative change of €101 thousand.

(€'000)	1H 2016	1H 2015
IRES (Italian corporate income tax)	93	49
IRAP (Italian Regional business tax)	3	0
Foreign current income taxes	168	155
Total current income tax	264	204
Net (prepaid) deferred taxes: Italy	0	1
Net (prepaid) deferred taxes: Non-italian	(523)	(565)
Net (prepaid) deferred taxes	(523)	(564)
TOTAL INCOME TAXES	(259)	(360)

Deferred tax assets at 30 June 2016 amounted to €1.59 million (31 December 2015: €1.35 million) and mainly relate to the taxes calculated on the inventory write-down provision, the doubtful debt provision and other deductible costs of previous years.
Deferred tax liabilities at 30 June 2016 amounted to €4.73 million (31 December 2015: €4.57 million) and mainly relate to the tax effects on PPA. 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	%of ownership 30.06.2016	%of ownership 31.12.2015
Subsidiaries			
Aurora S.r.l.	Italy	100.00%	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Italy	100.00%	100.00%
ETH Lab S.r.l.	Italy	100.00%	100.00%
Eurotech France S.A.S.	France	100.00%	100.00%
Eurotech Ltd.	UK	100.00%	100.00%
E-Tech Inc.	United States	100.00%	100.00%
Eurotech Inc.	United States	100.00%	100.00%
ETH Devices S.r.o.	Slovakia	100.00%	100.00%
Dynatem Inc.	USA	100.00%	100.00%
Advanet Inc.	Japan	90.00% (1)	90.00% (1)
Affiliated companies			
Chengdu Vantron Technologies Inc.	China	45.00%	45.00%
eVS embedded Vision Systems S.r.l.	Italy	24.00%	24.00%
Emilab S.r.l.	Italy	24.82%	24.82%
Rotowi Technologies S.p.A. in liquidation (ex U.T.R.I. S.p.A.) (2)	Italy	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) Company in liquidation

Below we present related-party transactions not derecognised during consolidation.

RELATED PARTIES	Revenues to related parties	Purchases from related parties	Financial receivables to related parties	Receivables from related parties	Payables from related parties	Gain on business unit disposals
Associated companies						
Chengdu Vantron Technology Inc	13	552	-	-	269	-
Emilab S.r.l.	-	19	-	-	22	-
eVS embedded Vision Systems S.r.l.	-	7	-	-	7	-
Total	13	578	-	-	298	-
Other related parties						
Finmeccanica Group	918	-	-	1,158	9	-
Kairos Autonomi	-	-	90	-	-	-
Vigilate S.r.l.	-	-	-	-	-	1,705
Total	918	-	90	1,158	9	1,705
Total with related parties	931	578	90	1,158	307	1,705
% impact on line item	3.3%	2.7%	100.0%	8.8%	2.5%	88.4%

28 – Financial risk management: objectives and criteria

The Group's financial instruments, other than derivative contracts, include bank loans in their various technical forms, finance leases, short-term and on-demand bank deposits, and trade payables. These instruments are intended to finance Group operations. The Group has several other receivable and payable financial instruments at its disposal, such as trade receivables arising from operations and liquidity. The Group also has derivative transactions in place, and they are only interest rate swaps. 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 the Group's financial instruments are interest rate risk, liquidity risk, foreign exchange risk, and credit risk. 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. As at 30 June 2016, approximately 50.6% of Group loans had a fixed interest rate (in the first half of 2015 the percentage was about 31%).

Exchange rate risk

In view of the significant investment transactions in the US, Japan and the UK, with substantial foreign currency cash flows from business and financial operations, the Group's financial statements could be significantly affected by changes in the USD/EUR, 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, particularly taking into account that the individual subsidiaries tend to operate in their respective functional currencies in their respective core markets.
About 79.1% of sales of goods and services (30 June 2015: 78.8%) and 71.2% (30 June 2015: 71.5%) of the cost of goods purchases and the operating costs of the Group are denominated in a different currency from the functional currency used by the Parent Company to draw up these condensed consolidated interim financial statements.

Product and component price risk

Group exposure to price risk is not significant.

Credit risk

The Group trades only with known and reliable customers. The Group's policy is to check the creditworthiness grade of customers that request extended payment arrangements. In addition, the balance of receivables is monitored during the year so that the amount of non-performing positions is not significant. Only some receivables from key customers are insured due to the reduction in the exposure granted by insurance companies in recent years.
Financial assets are recognised in the financial statements net of write-downs calculated according to the risk of counterparty default, taking into account the information available on the customer's level of solvency and historical data.
There is no significant concentration of credit risk in the Group.
Credit risk concerning other Group financial assets, which include cash and equivalents and financial instruments, presents a maximum risk equal to the book value of these assets in the event of insolvency of the counterparty.

Liquidity risk

The objective of the Group is to strike a balance between 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 used to state that no more than 40% of loans could fall due within 12 months.
At 30 June 2016, based on financial statement balances, 34.0% of the Group's financial payables were due within one year (first half of 2015: 34.0%) based on the original plans. These values were different in 2016 from those shown in the financial statement balances, as, due to informal agreements with a bank, no risk of early repayment is not believed to exist.

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 of loans obtained has been calculated by discounting expected cash flows to present value applying prevailing interest rates. The fair value of other financial assets has been calculated using market interest rates. 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 2016 and on the respective comparison figures.

At 30 June 2016, the Group held the following financial instruments measured at fair value:

(€'000)	Notional value at June 30, 2016	Fair value at June 30, 2016 (debit)	Fair value at June 30, 2016 (credit)	Notional value at December 31, 2015	Fair value at December 31, 2015 (debit)	Fair value at December 31, 2015 (credit)
Cash flow hedge						
Contracts Interest Rate Sw ap (IRS)	1,311	0	(17)	906	0	(8)

All the assets and liabilities measured at fair value at 30 June 2016 are at Level 2 of the fair value measurement scale. In addition, during the first six months of 2016 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 of loans obtained has been calculated by discounting expected cash flows to present value applying prevailing interest rates. The fair value of other financial assets has been calculated using market interest rates.

Interest rate risk

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

Hedging

Cash flow hedges

As at 30 June 2016, the Group holds two interest rate swap contracts (for total notional residual amounts of €1.31 million), one of which signed in the first half-hear and the other signed last year, designated as instruments to hedge interest rate risk.

	Due date	Fixed rate	Floating rate	Market value (€'000)
Interest rate swap contracts				
€ 811,195	29 May 2020	0.35%	Euribor 3 month	(12)
€ 500,000	21 January 2019	0.37%	Euribor 3 month	(5)

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 a decrease in shareholders' equity of €9 thousand and decreased the cash flow hedge reserve as a direct reduction of equity to -€17 thousand in total.

30 – Assets disposed of during the year

On 29 February 2016 the subsidiary IPS Sistemi Programmabili signed an agreement to sell the Security and Traffic business unit. The consideration for the transaction was set by the parties at €2.45 million. This amount was adjusted based on the working capital of the business unit at 29 February, which proved to be negative in Eurotech's favour for €108 thousand. The consideration of €2.45 million was collected on the date the contract of sale was signed, while the adjustment that had just been defined by the parties has been almost entirely settled.

In application of "IFRS5 - Non-current assets held for sale and discontinued operations", the financial results of the business unit sold remained classified to the balance sheet items by nature for both 2015 and 2016 as the transaction did not concern a major line of business.
The capital gain coming from the sale is, as a result, classified under the item "Other revenues", and amounts to €1,705 thousand.

The following is a summary breakdown of the income statement entries of the transferred entity for the two months of 2016 and the 6 months of 2015:

OPERATING RESULTS	2M 2016 (€/000)	6M 2015 (€/000)
Revenues from sales of products and services	101	344
Cost of materials	(45)	(106)
Gross profit	**56**	**238**
Operating expenses	(179)	(595)
Other revenues	-	72
Profit before depreciation and amortization (EBITDA)	**(123)**	**(285)**
Depreciation & amortisation	(36)	(35)
Operating profit (EBIT)	**(159)**	**(320)**
Finance (expense) income	7	(10)
Profit (Losses) before taxes from a discontinued operation	**(152)**	**(330)**
Income tax	-	-
Net profit (loss) from discontinued operations	**(152)**	**(330)**

The main asset and liability classes of the transferred entity were as follows at 29 February 2016:

	at Febrary 29, 2016 (€/000)
ASSETS	
Intangible assets	356
Property, Plant and equipment	108
Other non-current assets	0
Inventories	745
Crediti vs clienti	613
Other current assets	13
Company assets	**1,835**
Goodw ill	0
Assets from Discontinued operations	**1,835**
LIABILITIES	
Total non-current liabilities	8
Debiti vs fornitori	1,155
Current liabilities	35
Liabilities from Discontinued operations	**1,198**
Net Discontued operations	**637**

31 – Events after the reporting period

There were no significant events after the closing of the condensed consolidated interim financial statements at 30 June 2016 other than what has been explained in the note on page 22.

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 are mainly due to customer purchases scheduling. The trend has continued and is accentuated in the Group's current order book for financial year 2016.

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Certification of the Condensed Consolidated Interim Report

Pursuant to Article 154-bis, 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, Corporate 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 application

   of the administrative and accounting procedures for drawing up the condensed consolidated interim financial statements during the period ranging from 1 January to 30 June 2016.

2) Valuation of the adequacy of the administrative and accounting procedures for the formation of the condensed financial statements at 30 June 2016 is based on a model Eurotech defined 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 that represent a generally accepted reference framework on 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 (CE) 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), 29 August 2016

Eurotech S.p.A.

Signed Roberto Siagri
Chief Executive Officer

Signed Sandro Barazza
Financial Reporting Manager

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 2016, 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 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 No. 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 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Udine, 29 August 2016

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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