

**Consolidated Interim Management Report**  
at 30 September 2018



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

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

## CONTENTS

<b>Corporate Bodies .....</b>	<b>4</b>
<b>Performance highlights .....</b>	<b>5</b>
<i>Revenues by business line .....</i>	<i>6</i>
<i>Performance .....</i>	<i>7</i>
<b>Information for shareholders .....</b>	<b>8</b>
<b>The Eurotech Group.....</b>	<b>9</b>
<b>Summary of performance in the third quarter of 2018 and business outlook .....</b>	<b>11</b>
<i>Introduction .....</i>	<i>11</i>
<i>Reporting policies.....</i>	<i>11</i>
<i>Operating performance in the period.....</i>	<i>12</i>
<b>Financial statements and explanatory notes.....</b>	<b>15</b>
<i>Consolidated income statement.....</i>	<i>15</i>
<i>Consolidated statement of comprehensive income.....</i>	<i>17</i>
<i>Consolidated statement of financial position .....</i>	<i>18</i>
<i>Consolidated statement of changes in Equity .....</i>	<i>19</i>
<i>Net financial debt .....</i>	<i>20</i>
<i>Working capital .....</i>	<i>20</i>
<i>Cash flows .....</i>	<i>21</i>
<i>A – Eurotech Group business .....</i>	<i>22</i>
<i>B – Scope of consolidation.....</i>	<i>22</i>
<i>C – Revenues .....</i>	<i>23</i>
<i>D – Costs of raw &amp; auxiliary materials and consumables used .....</i>	<i>24</i>
<i>E – Service costs .....</i>	<i>25</i>
<i>F – Payroll costs.....</i>	<i>25</i>
<i>G – Other provisions and costs .....</i>	<i>25</i>
<i>H – Other revenues.....</i>	<i>25</i>
<i>I – Depreciation, amortisation and impairment.....</i>	<i>26</i>
<i>J – Financial income and expenses .....</i>	<i>26</i>
<i>K – Income taxes .....</i>	<i>27</i>
<i>L – Non-current assets.....</i>	<i>27</i>
<i>a – Intangible assets.....</i>	<i>27</i>
<i>b – Property, plant and equipment.....</i>	<i>27</i>
<i>M – Net working capital.....</i>	<i>28</i>
<i>N – Net financial position .....</i>	<i>28</i>
<i>O – Shareholders’ equity.....</i>	<i>29</i>
<i>P – Assets classified as held for sale .....</i>	<i>29</i>
<i>Q – Significant events in the quarter .....</i>	<i>29</i>
<i>R – Events after the reporting period .....</i>	<i>30</i>
<i>S – Risks and uncertainties.....</i>	<i>30</i>
<i>T – Other information .....</i>	<i>30</i>
<b>Declaration of the Financial Reporting Manager .....</b>	<b>32</b>

## Corporate Bodies

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

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

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

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

Independent auditor
PricewaterhouseCoopers S.p.A.

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

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

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

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

<sup>3</sup> Member of the Control and Risks Committee

<sup>4</sup> Member of the Committee for Related Party Transactions

<sup>5</sup> Member of the Remuneration Committee

<sup>6</sup> Member of the Appointments Committee

## Performance highlights

### Income statement highlights

3rd Q 2018	%	3rd Q 2017	%	% change	(€'000)	9M 2018	%	9M 2017	%	% change
<b>OPERATING RESULTS</b>										
19,652	100.0%	16,203	100.0%	21.3%	SALES REVENUES	56,974	100.0%	38,206	100.0%	49.1%
9,446	48.1%	8,397	51.8%	12.5%	GROSS PROFIT MARGIN (*)	27,480	48.2%	18,270	47.8%	50.4%
1,982	10.1%	1,535	9.5%	29.1%	EBITDA (**)	5,611	9.8%	(2,863)	-7.5%	N/A
1,471	7.5%	389	2.4%	278.1%	EBIT (***)	4,152	7.3%	(6,465)	-16.9%	N/A
1,383	7.0%	(2)	0.0%	N/A	PROFIT (LOSS) BEFORE TAXES	3,993	7.0%	(7,880)	-20.6%	N/A
1,464	7.4%	(137)	-0.8%	N/A	GROUP NET PROFIT (LOSS) FOR THE PERIOD	3,377	5.9%	(7,154)	-18.7%	N/A

### Income statement net of the accounting effects of purchase price allocation

3rd Q 2018 adjusted	%	3rd Q 2017 & adjusted	%	% change	(€'000)	9M 2018 adjusted	%	9M 2017 adjusted	%	% change
<b>OPERATING RESULTS</b>										
19,652	100.0%	16,203	100.0%	21.3%	SALES REVENUES	56,974	100.0%	38,206	100.0%	49.1%
9,446	48.1%	8,397	51.8%	12.5%	GROSS PROFIT MARGIN (*)	27,480	48.2%	18,270	47.8%	50.4%
1,982	10.1%	1,535	9.5%	29.1%	EBITDA (**)	5,611	9.8%	(2,863)	-7.5%	N/A
1,471	7.5%	955	5.9%	54.0%	EBIT (***)	4,152	7.3%	(4,682)	-12.3%	N/A
1,383	7.0%	564	3.5%	145.1%	PROFIT (LOSS) BEFORE TAXES	3,993	7.0%	(6,097)	-16.0%	N/A
1,464	7.4%	231	1.4%	N/A	GROUP NET PROFIT (LOSS) FOR THE PERIOD	3,377	5.9%	(5,995)	-15.7%	N/A

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

(\*\*) EBITDA, an intermediate figure, is earnings before amortisation, depreciation and impairment 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.

For a breakdown of effects arising from purchase price allocation, see the notes on page 12.

**Balance sheet and financial highlights**

€'000	at September 30, 2018	at December 31, 2017	at September 30, 2017
NET NON-CURRENT ASSETS	87,503	84,532	86,606
NET WORKING CAPITAL	16,758	17,717	14,553
NET INVESTED CAPITAL*	98,095	96,319	95,154
ASSETS HELD FOR SALES	19	28	8
SHAREHOLDERS' EQUITY	96,967	90,697	89,540
NET FINANCIAL POSITION	1,147	5,650	5,622

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

**Employee headcount**

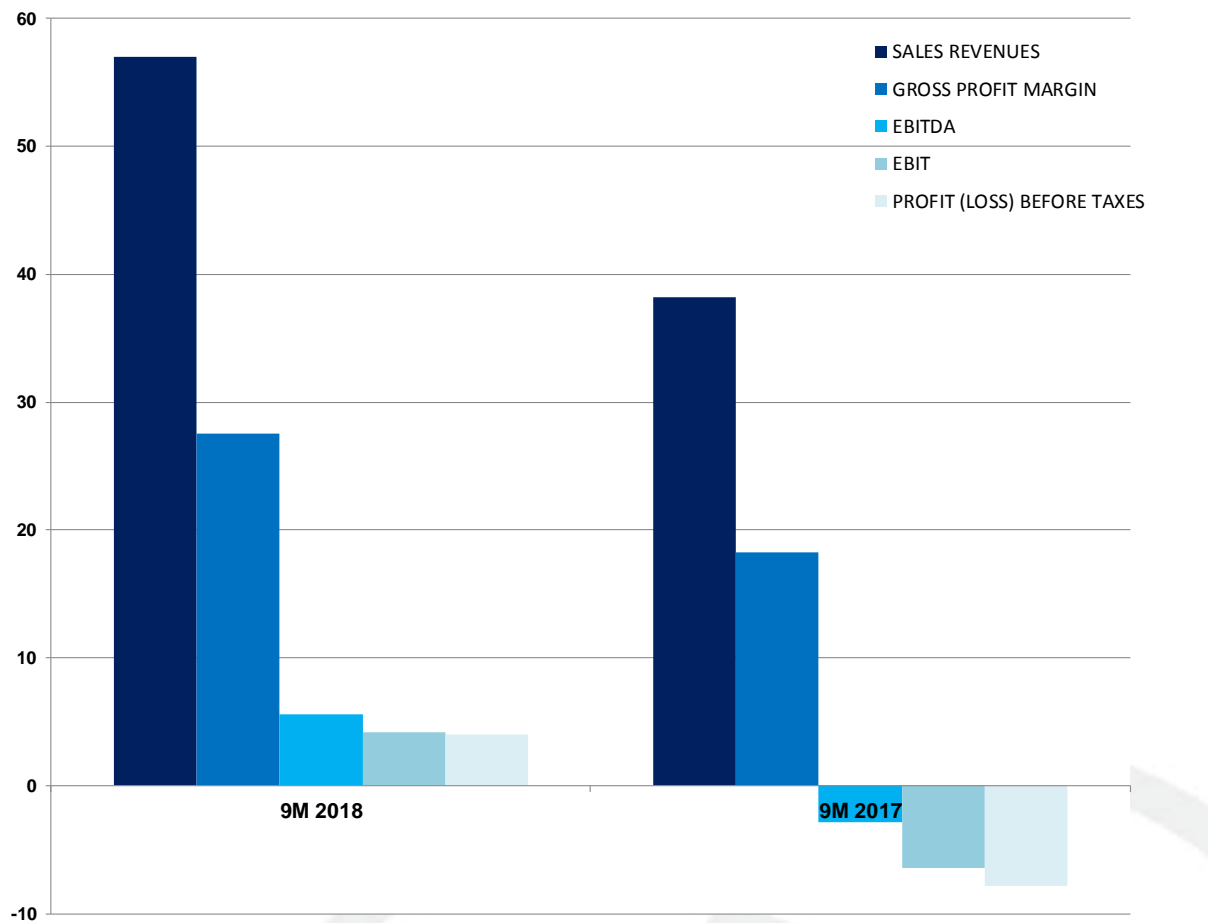
	at September 30, 2018	at December 31, 2017	at September 30, 2017
NUMBER OF EMPLOYEES	300	294	298

**Revenues by business line**

Up until June 2017, the company had two separate business lines, namely NanoPC and HPC (High Performance Computers). From July 2017, following a change in the company's strategy for HPC, the two divisions were combined, as the HPEC (High Performance Embedded Computer) market, featuring miniature supercomputers with high processing capacity, was retained much more interesting. HPEC are used by customers similar to those of the NanoPC division, which is more focused on Embedded Computers. The large HPCs had been created and designed on a modular basis, making it easy to transform them into small supercomputers should industry demand had changed.

Following this reorganisation, the only business line of the Group is the "NanoPC" line, which comprises a) miniaturised computing modules and systems (Embedded PC e HPEC) for the transport, logistics, defence, security, medical and industrial sectors; b) gateways, edge-computers and software platforms for the Internet of Things.

Performance



## 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 Borsa Italiana (Milan Stock Exchange) since 30 November 2005.

### Share capital of Eurotech S.p.A. at 30 September 2018

Share capital	€8,878,946.00
Number of ordinary shares (without nominal unit value)	35,515,784
Number of savings shares	-
Number of Eurotech S.p.A. treasury shares	1,223,020
Stock market capitalisation (based on the share's average price in September 2018)	€114 million
Stock market capitalisation (based on the share's reference price at 30 September 2018)	€138 million

### Performance of Eurotech S.p.A. shares

Relative performance of EUROTECH S.p.A. shares  
01.01.2018 – 30.09.2018

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



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





## The Eurotech Group

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

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

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

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

- basic components: electronic processing and communications boards compliant to standards (PC/104, Com-Express, VME, CompactPCI, etc.) or in different proprietary formats;
- high and very high performance, low consumption processing and communications sub-systems for fixed and mobile applications, built using basic components and third-party components (product families: BoltCOR, DynaCOR, etc.);
- ready-to-use devices and sensors built from components and sub-systems with the integration of specific software (the ReliaGATE and DynaGATE families for IoT Gateways, the BoltGATE family for Edge Computers, and the PCN and ReliaSENS family for intelligent sensors);
- software for integration with the IT (Information Technology) world of basic components, sub-systems and devices: Everyware Cloud software platform;
- design services for solutions and personalised products to simplify their integration into customer products.

The Eurotech’s offering is used in several application fields, both conventional and emerging. Eurotech is most active in the manufacturing, transport, medical, energy and defence sectors. The feature common to many of our Customers in all these sectors is they are seeking not only a supplier but also a centre of technological competence – and they often see in Eurotech a partner for innovating their products and their way of doing business. Through our products, we seek to reduce the time-to-market and the total cost of ownership of our customers, who can then focus on their core businesses.

With the emergence of industry 4.0 and the spread of artificial intelligence and collaborative robotics, considerable processing power, which over time had shifted from the “periphery” to the “centre” (cloud computing), is now returning to the “periphery” (edge computing). The paradigm of edge computing is revitalising both the traditional sector of embedded computers and that of High Performance Computers (HPC). Embedded computers are increasingly being requested at the “periphery” as long as interconnected with the cloud, and this interconnection function is guaranteed by IoT software platforms. By anticipating the market, over the years, Eurotech has developed a platform for industrial IoT, marketed under the name Everyware Cloud and, thanks to the open-innovation model adopted for its development, is becoming a de-facto standard in the industrial field. HPCs, instead, will have to take on other forms: they will have to start to be miniaturised, just like Personal Computers were miniaturised in the nineties, with a view to being used at the “periphery”. Therefore, there is a shift from “central” HPCs to “peripheral” HPCs, which are now called HPEC (High Performance Embedded Computer).

Thanks to the knowhow developed over the years in the design of hot-water, low-pressure cooled HPC, Eurotech is one of the few companies able to offer very compact HPEC able to be used in very small spaces, such as in mobile applications, and able to meet the current needs of our outlet markets.

In order to excel with its products and to guarantee the highest competitive advantage to its customers, a system of incremental and disruptive innovation has been activated, able to evolve the current products and intercept new latent requests that have not yet emerged in the market. Internal research activities are flanked by external relations with Institutions and Research Institutes, thus creating a “network of knowledge” which fuels innovation and contributes to maintaining Eurotech’s technological leadership.

Eurotech has always sought to excel within a sector’s standards. It has understood that, to provide its Customers with performing and forward-looking solutions, excellence should not just be achieved through proprietary solutions, but rather as far as possible with state-of-the-art solutions that are compliant with existing standards and, shouldn’t they exist, it must contribute to the formation of the same, as it is doing in the Internet of things (MQTT protocol and open-source projects Kura and Kapua).

Lastly, with a view to business sustainability and scalability, the company has constantly focused on the progressive evolution of the product range by adding increasingly integrated devices to the same, which are becoming easier to interconnect to the network and which also enable the recurring revenue business models of the service economy to be pursued, thanks to IoT.



# Summary of performance in the third quarter of 2018 and business outlook

## *Introduction*

The Consolidated interim management statement of the Eurotech Group at 30 September 2018, which has not been independently audited, and the statements for comparative periods were drawn up according to the IASs/IFRSs issued by the International Accounting Board and endorsed by the European Union.

The Group's results at 30 September 2018 and comparable periods were prepared according to the IASs/IFRSs in force on the date of preparation and the statements drawn up according to Annex 3D of the Italian Issuers' Regulation no. 11971 of 14 May 1999, as amended and supplemented.

## *Reporting policies*

The consolidated financial statements were drafted on the basis of financial statements to 30 September 2018 prepared by the consolidated companies and adjusted, where necessary, to align them with the Group's IFRS-compliant accounting and classification policies.

The accounting policies and consolidation methods used to prepare the consolidated interim management statement are consistent with those used in the Consolidated Annual Financial Report at 31 December 2017, to which we expressly invite readers to refer, except for the adoption of new standards, amendments and interpretations in force at 1 January 2018.

Taxes have been calculated based on the current best possible estimates. According to the criterion used for translation into euro of accounts expressed in different currencies, statement of financial position items are translated at the exchange rate in effect on the final day of the accounting period, and income statement items are translated at the average exchange rate for the period. Differences arising from translation of the statement of financial position and income statements are posted to a Shareholders' Equity reserve.

Unless otherwise specified, the financial statements, tables and explanatory notes are expressed in thousands of euro.

In accordance with Consob requirements, Income Statement figures are shown for the quarter under review and are compared with data for the same period in the previous financial year (FY). Restated Balance Sheet figures, which refer to the closing date of the quarter, are compared with the closing date of the previous FY. The format of the financial statements is the same as that used in the half-yearly report and in the annual financial statements.

The preparation of the financial statements and the related notes to the accounts required the use of estimates and assumptions, with particular reference to provisions for write-downs and risk reserves. Estimates are revised periodically, and any adjustment, following changes in the circumstances on which the estimate was based or in light of new information, is booked in the income statement. The use of estimates is an essential part of preparing the accounting statements and is not prejudicial to their overall reliability.

This document presents some alternative performance indicators to allow for better evaluation of the Group's economic and financial performance. These are as follows:

- Gross profit, or the difference between revenues from sale of products and services and consumption of raw materials;
- EBITDA, or earnings before amortisation, depreciation and write-downs, financial income and expenses, the valuations of affiliates at equity and income taxes for the period.
- EBIT, or earnings before financial income and expenses, the valuations of affiliates at equity and income taxes for the period.

## ***Operating performance in the period***

The third quarter confirmed the positive sales performance that the Group had already reported in the first six months and which has been continuing since the start of the second half of 2017.

Turnover of the quarter amounted to €19.65 million, up 21.3% against the corresponding period of 2017, and Group revenues in the first nine months of 2018 totalled €56.97 million, up by 49.1% compared to the same period of 2017 when turnover was €38.21 million. At constant exchange rates, the increase would be higher still, 56.7%.

Positive results are shown for the fifth quarter in a row, demonstrating that the company has entered a new phase of growth, sustained in all geographical areas by the increase in orders from major customers and from new customers on new innovative products.

The level of orders in the portfolio at the end of September, as well as confirming the possibility of obtaining a turnover in line with that of last year for the fourth quarter, is 30% higher compared to the same period of 2017, particularly for deliveries in the following year.

It is important to note how all of the geographical areas generated a higher turnover than the previous year, thus supporting the rise in revenues. The geographical area that most contributed to the increase in absolute terms was the USA, which showed a rise of +54.9% compared to 9M17, confirming its status as the most important area, with a share of 43% of the Group's revenues. Performance was positive also in Japan, which generated 33.1% of the Group's revenues thanks to an increase of 16.1%. The greater increase from one period to the next was recorded instead in Europe, which increasing its nine-month turnover by 110.4% generated 19.9% of the Group's revenues.

In the IoT segment, Eurotech continues to be a technology leader thanks to its product portfolio of IoT gateways and edge computers, its technological platform Everyware IoT and to the continuous implementation of partner ecosystems. If, on one hand, the number of POC (Proof of Concept) projects completed continue to increase, on the other, the rate of implementation on a large scale of IoT projects, even though still slow, continues to give promising signs of evolution as confirmed by the announced project at DB Cargo and other ones that should materialise in the coming months. The management team continue to believe that the future growth of the Group will depend, among other factors, also from the success of IoT implementations for B2B and B2B2C customers.

Before commenting on the income statement figures in more detail, we must point out that at the end of 2017, the the recognition in the accounts of the purchase price allocations (PPA)<sup>A</sup> relating to business combinations (only related to Advanet Inc. in 2017) have been concluded.

<sup>A</sup> In detail, the effects of the recognition in the accounts of the purchase price allocation relating to the business combination of Advanet Inc., which only impacted 2017, can be summarised as follows:

- depreciation, amortisation and impairment: €1,783 thousand, equal to the higher amortisation charged to the higher value attributed to customer relationships (intangible assets);
- lower income taxes: €624 thousand resulting from the tax effect on adjustments made.

Gross profit in the period was €27.48 million, accounting for 48.2% of revenues, compared to 47.8% in 9M17 and 48.5% in 12M17. Due to the product mix sold and the dominant sectors, the third quarter of the year recorded a lower margin than the corresponding quarter of last year, although still close to the 50% defined at the beginning of the year as the target level.

Management focus on operating costs is demonstrated by the fact that the same, before adjustments, increased by only €0.36 million (from €23.98 million in 9M17 to €24.34 million in 9M18), corresponding to 1.5% of the total, and the increased efficiency of the cost structure can be understood by the percentage of turnover represented by operating costs: this percentage fell from 62.8% in 9M17 to 42.7% in 9M18, in line with the half-year figure. The expansion of the organisation structure planned to support turnover growth is taking place and is inspired by criteria of necessity and prudence.

Payroll costs were equal to €13.58 million, with an incidence on revenues of 23.8%, sharply down with respect to the same period of the previous year (35.9%). The workforce at 30 September 2018 was 300 (294 at 31 December 2017 and 298 at 30 September 2017), with an average for the period of 297.5 employees.

EBITDA for the first nine months totalled €5.61 million (9.8% of revenues) compared with €-2.86 million in 2017 (-7.5% of revenues), reflecting the trend of both gross profit and of operating costs and other revenues.

EBIT came to €4.15 million in 9M18 (7.3% of revenues), compared to €-6.46 million in 9M17 (-16.9% of revenues). The EBIT figure also reflects the effects of depreciation and amortisation charged to the income statement in 9M18, as well as the trend in EBITDA mentioned previously. The depreciation and amortisation recognised in 2017 included €1.78 million representing the impact of the price allocation for the purchase of Advanet Inc. As the impact of the price allocation ended in 2017, it has no effect on 2018.

Net finance expense was €-140 thousand in 9M18, as compared to the net finance expense of €-1.29 million in 9M17.

Overall, foreign exchange differences had a positive effect on the period of €178 thousand, compared with a negative effect of €1.01 million in 9M17. Financial management relating to interest had an effect of €0.28 million in 9M18, in line with the figure of 9M17. For greater detail, readers should refer to the comments made in Note "J".

A pre-tax profit of €3.99 million was registered for 9M18 (compared with a loss of €7.88 million in 9M17). This performance was influenced by the factors outlined above. The effects of price allocation on the pre-tax result amounted to €1.78 million only for 9M17.

The Group net result amounted to €3.38 million (€-7.15 million in 9M17). 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 and is influenced by the use of tax losses not recognised at 31 December 2017 by US and Italian companies.

The total PPA effects on the Group net income, only in 9M17 were €1.16 million.

With regard to the third quarter, all of the performance indicators monitored by the Group were positive, as they were in the previous quarters and thus demonstrate that the positive trend which started at the end of the third quarter of 2017 is continuing.

More specifically, turnover was affected (as commented on above) by the improvement of the US and European (Italian in particular) areas with respect to the comparative period. The quarter in question closed with total turnover of €19.65 million (€16.20 million in 3Q17), up 21.3% compared to the same quarter the previous year; the value of the turnover of the quarter corresponds to 34.5% of the turnover of the nine-month period, while it was 42.4% of the turnover of the same period in 2017.

Gross profit (48.1%) in the quarter under review was in line with that recorded in the past quarters, while due to the sales mix, it was lower than the figure of the same period of 2017 (9M17: 51.8%).

The interim results show the impact of the operating leverage, generated thanks to the turnover recorded; furthermore, they are due to the ability to maintain gross profit at plan levels and a prudent policy on operating cost. 3Q18 EBITDA was positive for €1,982 thousand (10.1% of revenues of the quarter), while it was also positive for €1,535 thousand in the 3Q17 (9.5% of revenues).

EBIT in 3Q2018 was also positive and influenced by the margins just described, totalling €1,471 thousand (7.5% as a percentage of revenues), versus a positive result of €389 thousand (2.4% of revenues) in the same period of 2017. The negative impact of the price allocation on EBIT only affected 2017, amounting to €566 thousand. These trends contributed to generate the interim 9M results mentioned above.





## Financial statements and explanatory notes

The trend in operating performance can be seen in the restated consolidated income statement and is shown below, in both absolute amounts and percentage terms:

### Consolidated income statement

CONSOLIDATED INCOME STATEMENT								change (b-a)	
(€ '000)	Notes	9M 2018 (b)	of which related parties	%	9M 2017 (a)	of which related parties	%	amount	%
Sales revenue	C	56,974	1,070	100.0%	38,206	347	100.0%	18,768	49.1%
Cost of material	D	(29,494)		-51.8%	(19,936)		-52.2%	9,558	-47.9%
<b>Gross profit</b>		<b>27,480</b>		<b>48.2%</b>	<b>18,270</b>		<b>47.8%</b>	<b>9,210</b>	<b>50.4%</b>
Services costs	E	(9,007)		-15.8%	(8,446)	(469)	-22.1%	561	-6.6%
Lease & hire costs		(1,225)		-2.2%	(1,300)		-3.4%	(75)	5.8%
Payroll costs	F	(13,582)		-23.8%	(13,698)		-35.9%	(116)	0.8%
Other provisions and costs	G	(527)		-0.9%	(541)		-1.4%	(14)	2.6%
Other revenues	H	2,472		4.3%	2,852		7.5%	(380)	-13.3%
<b>EBITDA</b>		<b>5,611</b>		<b>9.8%</b>	<b>(2,863)</b>		<b>-7.5%</b>	<b>8,474</b>	<b>-296.0%</b>
Depreciation & Amortization	I	(1,459)		-2.6%	(3,602)		-9.4%	(2,143)	-59.5%
<b>EBIT</b>		<b>4,152</b>		<b>7.3%</b>	<b>(6,465)</b>		<b>-16.9%</b>	<b>10,617</b>	<b>164.2%</b>
Share of associates' profit of equity		0		0.0%	(121)		-0.3%	(121)	100.0%
Subsidiaries management	L	(19)		0.0%	0				
Finance expense	J	(811)		-1.4%	(1,926)		-5.0%	(1,115)	-57.9%
Finance income	J	671	3	1.2%	632		1.7%	39	6.2%
<b>Profit before tax</b>		<b>3,993</b>		<b>7.0%</b>	<b>(7,880)</b>		<b>-20.6%</b>	<b>11,873</b>	<b>150.7%</b>
Income tax	K	(616)		-1.1%	726		1.9%	1,342	184.8%
<b>Net profit (loss) of continuing operations before minority interest</b>		<b>3,377</b>		<b>5.9%</b>	<b>(7,154)</b>		<b>-18.7%</b>	<b>10,531</b>	<b>147.2%</b>
<b>Minority interest</b>	O	<b>0</b>		<b>0.0%</b>	<b>0</b>		<b>0.0%</b>	<b>0</b>	<b>n/a</b>
<b>Group net profit (loss) for period</b>	<b>O</b>	<b>3,377</b>		<b>5.9%</b>	<b>(7,154)</b>		<b>-18.7%</b>	<b>10,531</b>	<b>147.2%</b>
<b>Base earnings per share</b>		<b>0.099</b>			<b>(0.209)</b>				
<b>Diluted earnings per share</b>		<b>0.099</b>			<b>(0.209)</b>				

CONSOLIDATED INCOME STATEMENT				
(€ '000)	3rd Qtr 2018	%	3rd Qtr 2017	%
Sales revenue	19,652	100.0%	16,203	100.0%
Cost of material	(10,206)	-51.9%	(7,806)	-48.2%
<b>Gross profit</b>	<b>9,446</b>	<b>48.1%</b>	<b>8,397</b>	<b>51.8%</b>
Services costs	(3,129)	-15.9%	(2,639)	-16.3%
Lease & hire costs	(402)	-2.0%	(402)	-2.5%
Payroll costs	(4,673)	-23.8%	(4,301)	-26.5%
Other provisions and costs	(114)	-0.6%	(164)	-1.0%
Other revenues	854	4.3%	644	4.0%
<b>EBITDA</b>	<b>1,982</b>	<b>10.1%</b>	<b>1,535</b>	<b>9.5%</b>
Depreciation & Amortization	(511)	-2.6%	(1,146)	-7.1%
<b>EBIT</b>	<b>1,471</b>	<b>7.5%</b>	<b>389</b>	<b>2.4%</b>
Share of associates' profit of equity	0	0.0%	(118)	-0.7%
Subsidiaries management	0	0.0%	113	0.7%
Finance expense	(162)	-0.8%	(612)	-3.8%
Finance income	74	0.4%	226	1.4%
<b>Profit before tax</b>	<b>1,383</b>	<b>7.0%</b>	<b>(2)</b>	<b>0.0%</b>
Income tax	81	0.4%	(135)	-0.8%
<b>Net profit (loss) of continuing operations before minority interest</b>	<b>1,464</b>	<b>7.4%</b>	<b>(137)</b>	<b>-0.8%</b>
<b>Minority interest</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>Group net profit (loss) for period</b>	<b>1,464</b>	<b>7.4%</b>	<b>(137)</b>	<b>-0.8%</b>



## Consolidated statement of comprehensive income

(€/000)	Note	9M 2018	9M 2017
<b>Net profit (loss) before minority interest (A)</b>		<b>3,377</b>	<b>(7,154)</b>
<b>Other elements of the statement of comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net profit/(loss) from Cash Flow Hedge	O	5	3
Tax effect		-	-
		5	3
Foreign balance sheets conversion difference		1,181	(3,872)
Exchange differences on equity investments in foreign companies	O	1,249	(4,609)
Tax effect		-	-
		1,249	(4,609)
<b>After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)</b>		<b>2,435</b>	<b>(8,478)</b>
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains/(losses) on defined benefit plans for employees	O	0	(85)
Tax effect		-	27
		0	(58)
<b>After taxes net other comprehensive income not being reclassified to profit or loss in subsequent periods (C)</b>		<b>0</b>	<b>(58)</b>
<b>Comprehensive net result (A+B+C)</b>		<b>5,812</b>	<b>(15,690)</b>
<b>Comprehensive minority interest</b>		<b>0</b>	<b>0</b>
<b>Comprehensive Group net profit (loss) for period</b>		<b>5,812</b>	<b>(15,690)</b>

See explanatory note on page 29.

## Consolidated statement of financial position

(€'000)	Notes	at September 30, 2018	of which related parties	at December 31, 2017	of which related parties
<b>ASSETS</b>					
Intangible assets		82,886		79,968	
Property, Plant and equipment		2,456		2,436	
Investments in affiliate companies		0		0	
Investments in other companies		132		144	
Deferred tax assets		1,313		1,283	
Medium/long term borrowing allowed to affiliates companies and other Group companies		86	86	83	83
Other non-current assets		630		618	
<b>Total non-current assets</b>	<b>L</b>	<b>87,503</b>		<b>84,532</b>	
Inventories		22,296		17,821	
Contracts in progress		86	86	412	412
Trade receivables		13,967	988	15,623	252
Income tax receivables		218		204	
Other current assets		1,764		1,782	
Other current financial assets		98	9	95	5
Cash & cash equivalents		8,541		6,745	
<b>Total current assets</b>		<b>46,970</b>		<b>42,682</b>	
<b>Non-current assets classified as held for sale</b>	<b>P</b>	<b>19</b>		<b>28</b>	
<b>Total assets</b>		<b>134,492</b>		<b>127,242</b>	
<b>LIABILITIES AND EQUITY</b>					
Share capital		8,879		8,879	
Share premium reserve		136,400		136,400	
Other reserves		(48,312)		(54,582)	
<b>Group shareholders' equity</b>	<b>O</b>	<b>96,967</b>		<b>90,697</b>	
<b>Equity attributable to minority interest</b>	<b>O</b>	<b>0</b>		<b>0</b>	
<b>Total shareholders' equity</b>	<b>O</b>	<b>96,967</b>		<b>90,697</b>	
Medium-/long-term borrowing		2,026		1,844	
Employee benefit obligations		2,402		2,343	
Deferred tax liabilities		2,935		2,816	
Other non-current liabilities		743		688	
<b>Total non-current liabilities</b>		<b>8,106</b>		<b>7,691</b>	
Trade payables		14,732	137	13,088	149
Short-term borrowing		7,842		10,720	
Derivative instruments		4		9	
Income tax liabilities		319		262	
Other current liabilities		6,522		4,775	
<b>Total current liabilities</b>		<b>29,419</b>		<b>28,854</b>	
<b>Total liabilities</b>		<b>37,525</b>		<b>36,545</b>	
<b>Total liabilities and equity</b>		<b>134,492</b>		<b>127,242</b>	

## 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, 2016	8,879	1,385	136,400	12,689	(54,109)	(12)	(398)	6,889	(3,097)	(5,069)	103,557	-	103,557
2016 Result allocation	-	-	-	-	(5,069)	-	-	-	-	5,069	-	-	-
Profit (loss) as at September 30, 2017	-	-	-	-	-	-	-	-	-	(7,154)	(7,154)	-	(7,154)
Comprehensive other profit (loss):													
- Hedge transactions	-	-	-	-	-	2	-	-	-	-	2	-	2
- Foreign balance sheets conversion difference	-	-	-	(3,013)	-	-	-	-	-	-	(3,013)	-	(3,013)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	(4,079)	-	-	(4,079)	-	(4,079)
<b>Total Comprehensive result</b>	-	-	-	<b>(3,013)</b>	-	<b>2</b>	-	<b>(4,079)</b>	-	<b>(7,154)</b>	<b>(14,244)</b>	-	<b>(14,244)</b>
- Performance Share Plan	-	-	-	-	227	-	-	-	-	-	227	-	227
Balance as at September 30, 2017	8,879	1,385	136,400	9,676	(58,951)	(10)	(398)	2,810	(3,097)	(7,154)	89,540	-	89,540

(€'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, 2017	8,879	1,385	136,400	8,817	(58,830)	(9)	(456)	2,280	(3,097)	(4,672)	90,697	-	90,697
2017 Result allocation	-	-	-	-	(4,672)	-	-	-	-	4,672	-	-	-
Profit (loss) as at September 30, 2018	-	-	-	-	-	-	-	-	-	3,377	3,377	-	3,377
Comprehensive other profit (loss):													
- Hedge transactions	-	-	-	-	-	5	-	-	-	-	5	-	5
- Foreign balance sheets conversion difference	-	-	-	1,181	-	-	-	-	-	-	1,181	-	1,181
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	1,249	-	-	1,249	-	1,249
<b>Total Comprehensive result</b>	-	-	-	<b>1,181</b>	-	<b>5</b>	-	<b>1,249</b>	-	<b>3,377</b>	<b>5,812</b>	-	<b>5,812</b>
- Performance Share Plan	-	-	-	-	237	-	-	-	221	-	458	-	458
Balance as at September 30, 2018	8,879	1,385	136,400	9,998	(63,265)	(4)	(456)	3,529	(2,876)	3,377	96,967	-	96,967

## Net financial debt

Pursuant to the CESR recommendation of 10 February 2005, the following table shows the Group's net financial debt at 30 September 2018, breaking it down by due date and comparing it with the situation at 30 September 2017 and 31 December 2017:

(€'000)		at September 30, 2018	at December 31, 2017	at September 30, 2017
Cash & cash equivalents	A	(8,541)	(6,745)	(7,450)
<b>Cash equivalent</b>	<b>B=A</b>	<b>(8,541)</b>	<b>(6,745)</b>	<b>(7,450)</b>
Other current financial assets	C	(98)	(95)	(76)
Derivative instruments	D	4	9	10
Short-term borrowing	E	7,842	10,720	9,587
<b>Short-term financial position</b>	<b>F=C+D+E</b>	<b>7,748</b>	<b>10,634</b>	<b>9,521</b>
<b>Short-term net financial position</b>	<b>G=B+F</b>	<b>(793)</b>	<b>3,889</b>	<b>2,071</b>
Medium/long term borrowing	H	2,026	1,844	3,636
<b>Medium-/long-term net financial position</b>	<b>I=H</b>	<b>2,026</b>	<b>1,844</b>	<b>3,636</b>
<b>(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions</b>	<b>J=G+I</b>	<b>1,233</b>	<b>5,733</b>	<b>5,707</b>
Medium/long term borrowing allowed to affiliates companies and other Group companies	K	(86)	(83)	(85)
<b>(NET FINANCIAL POSITION) NET DEBT</b>	<b>L=J+K</b>	<b>1,147</b>	<b>5,650</b>	<b>5,622</b>

## Working capital

The Group's working capital at 30 September 2018, compared with the situation at 30 September 2017 and 31 December 2017, is as follows:

(€'000)	at September 30, 2018 (b)	at December 31, 2017 (a)	at September 30, 2017	Changes (b-a)
Inventories	22,296	17,821	18,541	4,475
Contracts in progress	86	412	0	(326)
Trade receivables	13,967	15,623	10,316	(1,656)
Income tax receivables	218	204	699	14
Other current assets	1,764	1,782	1,916	(18)
<i>Current assets</i>	<i>38,331</i>	<i>35,842</i>	<i>31,472</i>	<i>2,489</i>
Trade payables	(14,732)	(13,088)	(11,454)	(1,644)
Income tax liabilities	(319)	(262)	(80)	(57)
Other current liabilities	(6,522)	(4,775)	(5,385)	(1,747)
<i>Current liabilities</i>	<i>(21,573)</i>	<i>(18,125)</i>	<i>(16,919)</i>	<i>(3,448)</i>
<b>Net working capital</b>	<b>16,758</b>	<b>17,717</b>	<b>14,553</b>	<b>(959)</b>

## Cash flows

(€'000)		at September 30, 2018	at December 31, 2017	at September 30, 2017
Cash flow generated (used) in operations	A	7,227	(788)	(1,591)
Cash flow generated (used) in investment activities	B	(2,151)	(1,625)	(1,068)
Cash flow generated (absorbed) by financial assets	C	(3,200)	896	1,234
Net foreign exchange difference	D	(80)	(924)	(311)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	1,796	(2,441)	(1,736)
Opening amount in cash & cash equivalents		6,745	9,186	9,186
Cash & cash equivalents at end of period		8,541	6,745	7,450



## A – Eurotech Group business

The Group's business activities, which up until 30 June 2017 had been split into 2 business lines (NanoPC and HPC), are now grouped into a single business line, which includes both high performance special-purpose miniaturised computers, and SW platforms for M2M integration.

The business line is represented by modules, systems and platforms currently targeting the transport, industrial, medical, security, defence and logistics markets.

Activity in this line is carried out by Eurotech S.p.A. and I.P.S. Sistemi Programmabili S.r.l., which mainly operate in Italy, Eurotech Inc. (USA), which mainly operate in the US, Eurotech Ltd (United Kingdom), which mainly operates in the UK, Eurotech France S.A.S. (France), which mainly operates in France, and Advanet Inc. (Japan), which mainly operates in Japan. Our products are marketed under the trademarks Eurotech, Dynatem, IPS and Advanet.

Eurotech shares (ETH.MI) have been listed on the STAR segment of Borsa Italiana (the Milan Stock Exchange) since 30 November 2005.

## B – Scope of consolidation

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

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

The Slovak company Eth Devices S.r.o. was placed in liquidation in 2017, it was consolidated until 31 January 2018, the date on which the liquidation was closed.

<i>Subsidiaries valued at equity</i>			
Rotowi Technologies S.p.A. in liquidation (formerly U.T.R.I. S.p.A.)	Via del Follatolo, 12 – Trieste, Italy		21.31%
<i>Other smaller companies valued at cost</i>			
Kairos Autonomi	Salt Lake City (USA)		19.00%

The main changes with regard to subsidiaries and affiliates compared with 31 December 2016 are as follows:  
- 31/01/ 2018 the Slovak company ETH Devices S.r.o. was wound down, after being placed in liquidation

- 26/06/2018 the company eVS embedded Vision Systems, already classified under assets held for sale, was sold;

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

Currency	Average 9Month 2018	As of September 30, 2018	Average 2017	As of December 31, 2017	Average 9Months 2017	As of September 30, 2017
British pound sterling	0.88405	0.88730	0.87667	0.88723	0.87318	0.88178
Japanese Yen	130.92530	131.23000	126.71120	135.01000	124.68130	132.82000
USA Dollar	1.19420	1.15760	1.12970	1.19930	1.11403	1.18060

## C - Revenues

Revenues earned by the Group amount to €56.97 million (€38.21 million in the first nine months of 2017), an increase of €18.77 million (49.1%) on the same period of last year. This performance is strictly related to the recovery of order intake in the various geographical areas. Furthermore, a comparison with 9M17 shows a significant increase due to the atypical situation that occurred in the first half of 2017, during which a delay in the receipt of orders had generated a decidedly irregular revenue figure, below expectations.

For operating purposes, the Group is currently organised with only one business line, also known as business segment, called "NanoPC".

On the basis of criteria for monitoring activities currently used by top management, disclosure on a geographical basis is provided in terms of the location of the Group's various companies.

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

### Revenues of by business region

As specifically regards the breakdown of revenues of the business units by geographical area, the same can be further detailed as follows:

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	9M 2018	9M 2017	% YoY Change	9M 2018	9M 2017	% YoY Change	9M 2018	9M 2017	% YoY Change	9M 2018	9M 2017	% YoY Change	9M 2018	9M 2017	% YoY Change
Third party Sales	23,708	15,814		14,413	6,150		18,853	16,242		0	0		56,974	38,206	
Infra-sector Sales	558	276		3,610	2,317		142	49		( 4,310)	( 2,642)		0	0	
Total Sales revenues	24,266	16,090	50.8%	18,023	8,467	112.9%	18,995	16,291	16.6%	( 4,310)	( 2,642)	-63.1%	56,974	38,206	49.1%

The North American business area's revenues totalled €24.27 million in 9M18 and €16.09 million in 9M17, recording an increase of 50.8%. This significant increase is the result of sales and marketing efforts in previous quarters, even though is no doubt emphasised by the fact that revenues were below historical levels and expectations in the first half of 2017. This level of turnover is the highest in five years. Orders continue to be significant, especially in the Board&System business line, where, besides a recovery of orders from historical customers, there was an increase in the rates of conversion of opportunities into orders from new customers,

which are interested in our products and solutions to reduce their time to market. Orders for the IoT business line also rose and increasingly the POCs (Proof of Concept) rolled-out are resulting in additional orders.

Also the Europe business region recorded a significant increase, rising from €8.47 million for 9M17 to €18.02 million for 9M18. This increase brings the European region to levels above historical levels and with good prospects of an increase over the 12-month period. This increase is the result of the new business opportunities that have been generated both in new vertical markets linked to HPEC (High Performance Embedded Computer) technologies and in traditional segments such as transport as well as in emerging segments related to industrial IoT and to the Industry 4.0 paradigm.

The Asian region grew by 16.6%, from €16.29 million to €18.99 million: the increase of orders generated by traditional customers in the industrial and medical sectors was only partially offset by an exchange rate effect that saw the Japanese currency weaken by around 5% period to period.

### **Revenues by customer geographical area**

The following table shows the geographical breakdown of revenues based on customer location:

3rd Q 2018	%	3rd Q 2017	%	BREAKDOWN BY GEOGRAPHIC AREA	9M 2018	%	9M 2017	%	var. %
3,027	15.4%	2,030	12.5%	European Union	11,354	19.9%	5,397	14.1%	110.4%
9,002	45.8%	7,297	45.0%	United States	24,513	43.0%	15,833	41.4%	54.8%
6,408	32.6%	6,604	40.8%	Japan	18,854	33.1%	16,242	42.5%	16.1%
1,215	6.2%	272	1.7%	Other	2,253	4.0%	734	1.9%	206.9%
<b>TOTAL SALES AND SERVICE REVENUES</b>									
<b>19,652</b>	<b>100.0%</b>	<b>16,203</b>	<b>100.0%</b>		<b>56,974</b>	<b>100.0%</b>	<b>38,206</b>	<b>100.0%</b>	<b>49.1%</b>

With reference to the figures by geographical area reported in the table, revenues generated in the nine-month period in the US went up by 54.8% and it contributed 43.0% to total revenues in the first nine months of 2018. Japan recorded an increase of 16.1%, making it the second most important area, as in 2017, accounting for 33.1% of the Group's revenues.

In Europe, again with reference to customer location, turnover rose by 110.4%, and accounted for 19.9% of total revenues.

### **D – Costs of raw & auxiliary materials and consumables used**

Costs of raw & auxiliary materials and consumables used, which are strictly correlated to turnover, recorded an increase in absolute terms, rising from €19.94 million in 9M17 to €29.49 million in 9M18. In the nine-month period under review there was thus a variation of €9.56 million (47.9%), lower than the increase in revenues, which was 49.1%. These different proportions resulted in a higher gross profit figure, in line with the result at the end of 2017.

As a percentage of revenues, consumption of raw & auxiliary materials and consumables fell to 51.8% in 9M18 (compared with 52.2% in 2017).



## ***E – Service costs***

The increase of the variable portion of service costs led to a slight increase of this item, which rose from €8.44 million in 9M17 to €9.01 million in 9M18. This cost item decreased as a percentage of revenues from 22.1% in 9M17 to 15.8% in 9M18.

In addition to referring to ordinary operations and therefore to sustaining the higher revenues, the costs pertain also to the investments the Group continues to make, mainly in the new business line of the IoT/M2M platforms for applications in the industry and in services. The purpose of these investments is to provide support to the sales and marketing area to improve the visibility of this product line, as well as to the research and development area, which maintains products in line with the new technologies present in the market.

## ***F – Payroll costs***

In the period under review, payroll costs decreased slightly, from €13.70 million to €13.58 million. The increase of the business will require the increase of the workforce with specific know-how in the different geographical regions and to provide the various regions with the skills and resources they need.

Wages and salaries also included €458 thousand for the pro-rata cost related to the Performance Share Plan (at 30 September 2017 the cost recognised was €229 thousand).

As the table below illustrates, the number of Group employees increased at the end of the last period, up from 294 at the end of 2017 to 300 at the end of September 2018.

The table below shows the number of Group employees by category, in each of the periods compared:

Employees	at September 30, 2018	at December 31, 2017	at September 30, 2017
Manager	11	9	5
Clerical workers	272	268	277
Line workers	17	17	16
<b>TOTAL</b>	<b>300</b>	<b>294</b>	<b>298</b>

## ***G – Other provisions and costs***

At 30 September 2018, this item included a provision for doubtful accounts of €58 thousand (€67 thousand in the first nine months of 2017), and refers to provisions made for the possibility of uncollectable trade receivables. Other provisions and costs as a percentage of revenues were 0.9%, against 1.4% in 9M17.

## ***H – Other revenues***

Other revenues fell by €380 thousand. This item decreased from €2.85 million in 9M17 to €2.47 million in 9M18. Other revenues comprise the capitalisation of development costs for new systems and highly integrated standard modules for €1.70 million (€1.74 million in 9M17), as well as miscellaneous income of €0.77 million (€0.63 million in 9M17), while operating grants totalled €2 thousand (€0.48 thousand in 9M17).

## I – Depreciation, amortisation and impairment

This item decreased by €2.14 million, from €3.60 million in 9M17 to €1.46 million in 9M18 and is mainly due to lower amounts recorded following the completion at the end of 2017 of the amortisation of the residual value of the customer relationship with Advanet Inc. that emerged at the time of the price allocation. The amount recorded at 30 September 2017 was €1.78 million.

## J – Financial income and expenses

Financial expenses fell from €1.93 million in 9M17 to €0.81 million in 9M18, mainly due to the effect of the fall in exchange rate losses linked to the performance of the US dollar, the Japanese yen and the British pound.

The different impact of exchange rates also impacted financial income, which rose from €0.63 million in 9M17 to €0.67 million in 9M18.

The absolute value and percentage on revenues of the main financial expense items are as follows:

- foreign exchange losses: €0.47 million at 30 September 2018 (0.8% as a percentage of revenues), compared with €1.61 million at 30 September 2017 (4.2% as a percentage of revenues);
- foreign exchange gains: €0.65 million at 30 September 2018 (1.1% as a percentage of revenues), compared with €0.60 million at 30 September 2017 (1.6% as a percentage of revenues);
- miscellaneous interest expenses: €336 thousand at 30 September 2018 (0.6% as a percentage of revenues), compared with €314 thousand at 30 September 2017 (0.8% as a percentage of revenues).

3rd Q 2018	3rd Q 2017		9M 2018	9M 2017
		(€'000)		
59	500	Exchange-rate losses	475	1,612
91	105	Interest expenses	292	278
2	2	Expenses on derivatives	12	6
10	5	Other finance expenses	32	30
<b>162</b>	<b>612</b>	<b>Financial charges</b>	<b>811</b>	<b>1,926</b>
3rd Q 2018	3rd Q 2017		9M 2018	9M 2017
		(€'000)		
68	221	Exchange-rate gains	653	599
5	0	Interest income	13	18
1	5	Other finance income	5	15
<b>74</b>	<b>226</b>	<b>Financial incomes</b>	<b>671</b>	<b>632</b>
<b>( 88)</b>	<b>( 386)</b>	<b>Net financial income</b>	<b>( 140)</b>	<b>( 1,294)</b>

## K – Income taxes

Income taxes at 30 September 2018 were negative for €616 thousand (of which €623 thousand for current taxes and €7 thousand for net deferred tax assets), compared with the positive impact of €726 thousand at 30 September 2017 (of which €432 thousand for current taxes and €1,158 thousand for net deferred tax assets), representing a negative change of €1,342 thousand.

## L – Non-current assets

The positive change in non-current assets between 31 December 2017 and 30 September 2018 of €2.97 million was primarily due to foreign exchange rate changes, as well as net investments of €2.18 million in property, plant and equipment and intangible assets (before depreciation and amortisation totalling €1.46 million). The most significant increase is related to intangible assets and is largely linked to projects to develop new products carried out by the Group.

### a – Intangible assets

The table below shows their breakdown and main changes during the period:

(€ '000)	DEVELOPMENT COSTS	GOODWILL	SOFTWARE TRADEMARKS PATENTS	ASSETS UNDER CONSTRUCTION & ADVANCES	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
<b>OPENING BALANCE (A)</b>	2,158	67,185	7,952	2,667	6	79,968
<i>Changes as at September 30, 2018</i>						
- Purchases	25	-	105	1,633	-	1,763
- Disposals	-	-	-	-	( 134)	( 134)
- Amortisation and impairment in period (-)	( 987)	-	( 55)	-	-	( 1,042)
- Discontinued operations	-	-	-	-	128	128
- Other changes	1,268	1,924	229	( 1,218)	-	2,203
<b>Total changes (B)</b>	<b>306</b>	<b>1,924</b>	<b>279</b>	<b>415</b>	<b>( 6)</b>	<b>2,918</b>
<b>CLOSING BALANCE (A+B)</b>	<b>2,464</b>	<b>69,109</b>	<b>8,231</b>	<b>3,082</b>	<b>-</b>	<b>82,886</b>

The carrying value of goodwill and trademarks with an indefinite useful life allocated to each of the cash-generating units is as follows:

Cash generating units	at September 30, 2018		at December 31, 2017	
	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Inc.	42,496	8,070	41,306	7,843
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	21,195	-	20,461	-
Eurotech Ltd. (ex Arcom Ltd.)	4,922	-	4,922	-
Eurotech France S.a.s.	406	-	406	-
Other	90	-	90	-
<b>TOTAL</b>	<b>69,109</b>	<b>8,070</b>	<b>67,185</b>	<b>7,843</b>

### b – Property, plant and equipment

The table below shows their breakdown and main changes during the period:

(€ '000)	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION & ADVANCES	LEASED ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
<b>OPENING BALANCE (A)</b>	1,090	241	345	677	2	81	2,436
<i>Changes as at September 30, 2018</i>							
- Purchases	-	36	194	182	2	-	414
- Disposals	-	-	-	( 1)	-	-	( 1)
- Amortisation and impairment in period (-)	( 28)	( 45)	( 138)	( 182)	-	( 24)	( 417)
- Other changes	-	1	9	14	-	-	24
<b>Total changes (B)</b>	<b>( 28)</b>	<b>( 8)</b>	<b>65</b>	<b>13</b>	<b>2</b>	<b>( 24)</b>	<b>20</b>
<b>CLOSING BALANCE (A+B)</b>	1,062	233	410	690	4	57	2,456

## M – Net working capital

Net working capital dropped by €0.96 million, from €17.72 million at 31 December 2017 to €16.56 million at 30 September 2018; this confirms the downtrend of the previous quarters of 2018; the performance is due to the different trend of the collection and payment flows, and is in any event significantly impacted by the increase in inventory, to cover shipments in future quarters, due to longer delivery times of many several critical components.

Current assets increased by €2.49 million because of lower trade receivables and higher inventories. The increase in current liabilities of €3.45 million is mainly attributable to the increase in trade payables and other current liabilities.

## N – Net financial position

At 30 September 2018, the Group further reduced its net financial debt against 30 June 2018. More specifically, a net financial debt of €1.15 million was recorded, against €5.65 million at the end of 2017, with a decrease in working capital of €0.96 million and a net value of investment in property, plant and equipment, intangible assets and equity investments of €2.19 million.

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

See also Cash flow on page 21.

Available cash amounted to €8.54 million, up against €6.74 million at the end of 2017.

Medium-/long-term financial liabilities include principal on bank loans and finance leases falling due beyond 12 months.

Short-term financial liabilities mainly consist of current account overdrafts, the current portion of mortgage loans, and payables to other lenders falling due by 30 September 2018.

## ***O – Shareholders' equity***

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

The balance of the Issuer's legal reserve at 30 September 2017 amounted to €1.38 million.

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

The positive translation reserve of €10.00 million was generated by inclusion in the interim management statement of the statements of financial position and income statements of US subsidiaries Eurotech Inc. and E-Tech USA Inc., UK subsidiary Eurotech Ltd. and Japanese subsidiary Advanet Inc..

The other reserves item was negative for €63.26 million and comprised the Parent Company's surplus reserve, formed by losses carried forward, allocations of retained earnings from prior years and other reserves of miscellaneous origin. The change in the year is attributable to the allocation of the 2017 results and to the booking based on the considered space of time of the Performance Share plan.

The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IAS 39, was negative for €4 thousand and decreased by €5 thousand gross of the tax effect, which was not recognised due to absence of the relative prerequisites.

The foreign exchange reserve in which – based on IAS 21 – foreign exchange differences relating to intragroup foreign-currency loans that constitute part of a net investment in a foreign shareholding are recognised, was positive by €3.53 thousand and increased by €1.25 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 1,225,020 treasury shares (with a decrease of 94,000 against 31 December 2017).

## ***P – Assets classified as held for sale***

Following the resolution of the Parent Company's Board of Directors, the value of the quotas held in Inasset S.r.l. of €19 thousand were classified under this item whilst awaiting their final disposal.

## ***Q – Significant events in the quarter***

The major events of the quarter were announced in the press releases listed below (the complete text can be consulted at the Group website [www.eurotech.com](http://www.eurotech.com) on page <http://www.eurotech.com/IT/sala+stampa/news>):

- 05/07/2018: Eurotech's Everywhere Cloud release 5.1 expands the IoT platform's integration and device management capabilities
- 10/07/2018 IoT Edge Gateways - Industrial Ethernet Book
- 12/07/2018 Eurotech joins ITxPT, the Association of Information Technology for Public Transport
- 18/09/2018 DB Cargo AG, rail freight business unit of German national Railway company Deutsche Bahn AG, selected Eurotech Edge Controllers, IoT Products and Services for its TechLOK Project

Other than those discussed in previous paragraphs, no other particularly significant events occurred in the quarter.

## ***R – Events after the reporting period***

For events following 30 September, the reader may refer to the press releases listed below (the complete text can be consulted at the Group website [www.eurotech.com](http://www.eurotech.com) on page <http://www.eurotech.com/IT/sala+stampa/news>):

- 09/10/2018 Eurotech helps take the supercar Vertigo into the clouds
- 10/10/2018 An End-to-End, Open, Modular IoT Architecture by Eurotech, Red Hat and Cloudera
- 12/10/2018 CONTACT Software and Eurotech bundle IoT skills
- 16/10/2018 Eurotech and Canonical To Collaborate On Integrated Edge Computing Solutions
- 16/10/2018 Eurotech and Software AG Forge Partnership to Broaden IoT Market Reach and Offer IT and OT Solutions

The company also took part in the Star Conference 2018 in London on 23 October.

No other significant events took place after the reporting date.

## ***S – Risks and uncertainties***

Please refer to the paragraphs “Main risks and uncertainties to which the Group is exposed” and “Financial risk management: objectives and criteria” in the 2017 Consolidated Financial Statements, in which the risks to which the Eurotech Group is subject are explained.

## ***T – Other information***

We also specify that:

- Group intercompany transactions take place at market prices and are eliminated during the consolidation process;
- group companies' related-party transactions form part of the normal course of business and are settled under arm's length conditions;
- pursuant to CONSOB communication no. 15519/2005, there were no non-recurring economic components in the consolidated quarterly results to 30 September 2018;
- pursuant to CONSOB communication DEM/6064296 of 28 July 2006, there were no atypical and/or unusual transactions carried out in the third quarter of 2016;
- at 30 September 2018 the company held 1,225,020 treasury shares for a total value of €2,876 thousand. Based on the allocation of shares executed under the “2016 EUROTECH S.p.A. Performance Share Plan”, the change was as follows.

	No. of shares	Face value of a share (Thousand of Euro)	% share capital	Carrying value (€'000)	Average unit value
Status as at 1 January 2018	1,319,020	330	3.71%	3,097	2.35
Purchases	-	-	0.00%	0	
Sales	-	-	0.00%	0	
Assignment-Performance share Plan	( 94,000)	( 24)	-0.26%	( 221)	2.35
Status as at 30 September 2018	1,225,020	306	3.45%	2,876	2.35

- the detailed Corporate Governance report is provided with the annual financial statements;
- pursuant to CONSOB communication DEM/11070007 of 5 August 2011, relating to disclosure in financial reports of the exposure of listed companies to sovereign debt, note that the Group does not hold sovereign debt securities;
- as regards the requirements of Article 150, paragraph 1, of Italian Legislative Decree no. 58 of 24 February 1998, no members of the Board of Directors have executed transactions with Group companies in situations of potential conflict of interest;
- pursuant to Article 3 of Consob Resolution no. 18079 of 20 January 2012, Eurotech has adopted the simplification procedure set out in Articles 70, paragraph 8, and 71, paragraph 1-bis, of the Regulation adopted by Consob with Resolution no. 11971 of 14 May 1999 as amended and supplemented. It therefore opts to derogate from the requirement to publish the information documents set out in Attachment 3B of this Consob Regulation for significant transactions such as mergers, spin-offs, capital increases via contributions in kind, acquisitions and sales.

Amaro, 13 November 2018

On behalf of the Board of Directors

*Signed* Roberto Siagri  
Chief Executive Officer



## Declaration of the Financial Reporting Manager

Amaro, 13 November 2018

### DECLARATION

PURSUANT TO ARTICLE 154 BIS, PARAGRAPH 2, PART IV, TITLE III, CHAPTER II, SECTION V-BIS, OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998: "CONSOLIDATED ACT ON MEASURES RELATING TO FINANCIAL INTERMEDIATION PURSUANT TO ARTICLES 8 AND 21 OF LAW NO. 52 OF 6 FEBRUARY 1996"

I, Sandro Barazza,

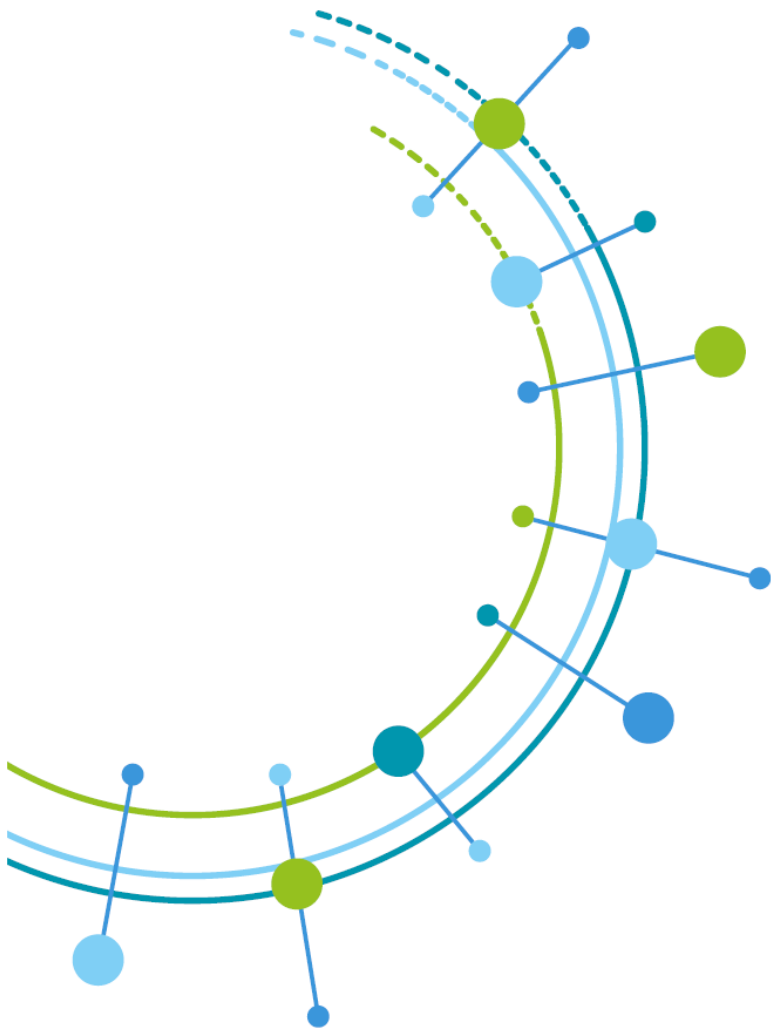
Financial Reporting Manager of Eurotech S.p.A., with reference to the Consolidated Interim Management Statement at 30 September 2018 approved by the company's Board of Directors on 13 November 2018,

### STATE

in compliance with the matters set forth under art. 154 bis, paragraph 2, part IV, title III, chapter II, section V-bis of Legislative Decree no. 58 of 24 February 1998, to the best of my knowledge, the Consolidated Interim Management Statement at 30 September 2018 corresponds to the accounting entries.

The Financial Reporting Manager  
*Signed* Sandro Barazza





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