


**Consolidated Interim Management Report**  
at 30 September 2019





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

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

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

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## Corporate Bodies

### Board of Directors

Director – Deputy chairman	Roberto Siagri <sup>6</sup>
Director – Deputy 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	Carmen Pezzuto <sup>1 2 4</sup>

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 26 April 2017 and following the resignations of three directors on 15 October 2019, including the Chairman, is currently composed of 6 members.

### Board of Statutory Auditors

Chairman	Gianfranco Favaro
Statutory Auditor	Laura Briganti
Statutory Auditor	Gaetano Rebecchini
Substitute Statutory Auditor	Clara Carbone
Substitute Statutory 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

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 transactions with related parties.

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

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

## Performance highlights

### Financial data

3rd Q 2019	%	3rd Q 2018	%	% change	(€'000)	9M 2019	%	9M 2018	%	% change
<b>OPERATING RESULTS</b>										
26,660	100.0%	19,652	100.0%	35.7%	SALES REVENUES	79,698	100.0%	56,974	100.0%	39.9%
13,710	51.4%	9,446	48.1%	45.1%	GROSS PROFIT MARGIN (*)	40,050	50.3%	27,480	48.2%	45.7%
5,318	19.9%	1,982	10.1%	168.3%	EBITDA (**)	16,192	20.3%	5,611	9.8%	188.6%
4,306	16.2%	1,471	7.5%	192.7%	EBIT (***)	13,250	16.6%	4,152	7.3%	219.1%
4,424	16.6%	1,383	7.0%	219.9%	PROFIT (LOSS) BEFORE TAXES	13,116	16.5%	3,993	7.0%	228.5%
3,094	11.6%	1,464	7.4%	111.3%	GROUP NET PROFIT (LOSS) FOR THE PERIOD	11,927	15.0%	3,377	5.9%	253.2%

(\*) Gross profit is the difference between revenues from sales of goods and services and use 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 operating performance. Since the composition of EBITDA is not regulated by the reference accounting standards, the calculation criterion applied by the Group may not be consistent with that used by other companies and would therefore not be comparable.

(\*\*\*) EBIT, or earnings before financial income and expenses, the valuations of affiliates at equity and income taxes for the period.

### Statement of financial position data

€'000	at September 30, 2019	at December 31, 2018	at September 30, 2018
<b>BALANCE SHEET AND FINANCIAL HIGHLIGHTS</b>			
NET NON-CURRENT ASSETS	101,327	91,874	87,503
NET WORKING CAPITAL	20,724	15,607	16,758
NET INVESTED CAPITAL*	115,130	101,112	98,095
ASSETS HELD FOR SALES	0	0	19
SHAREHOLDERS' EQUITY	120,377	102,042	96,967
NET FINANCIAL POSITION	(5,247)	(930)	1,147

(\*) Non-current, non-financial assets, plus net working capital, minus non-current, non-financial liabilities.

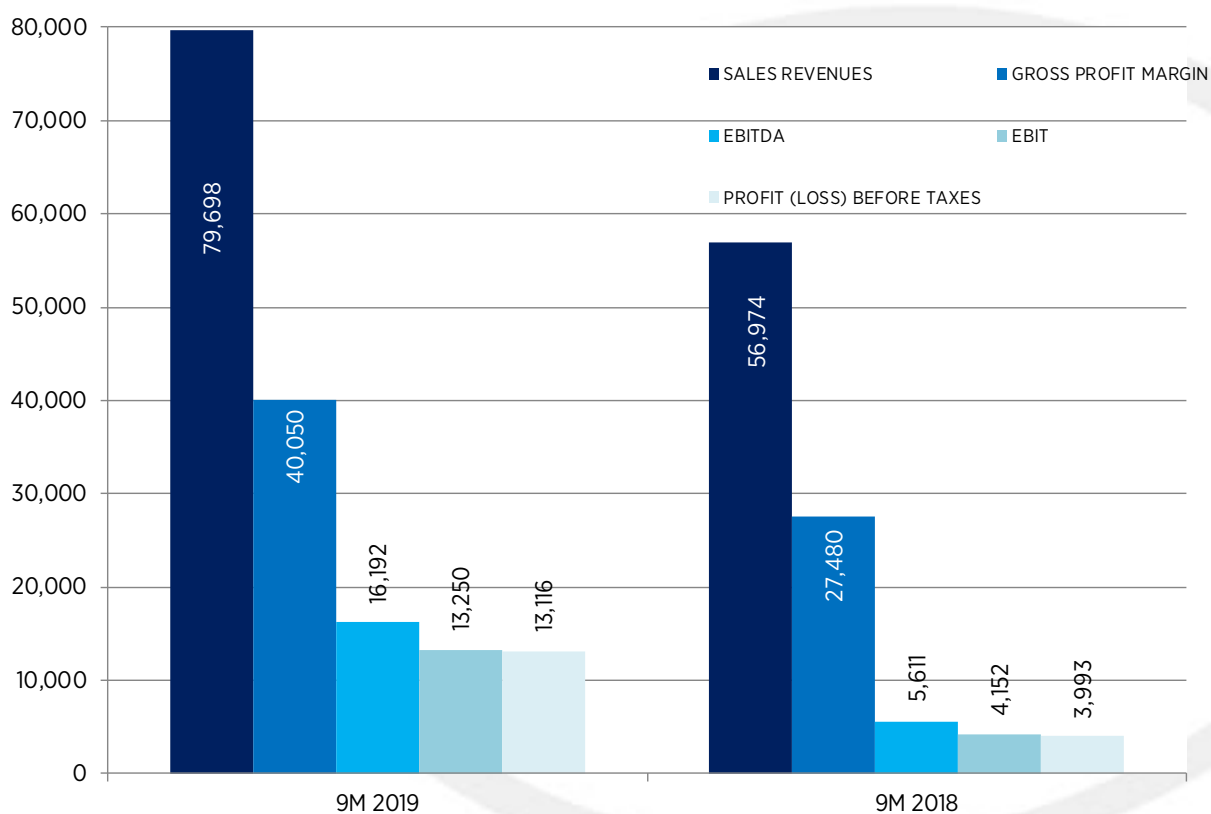
### Number of employees

	at September 30, 2019	at December 31, 2018	at September 30, 2018
EMPLOYEES	315	302	300

### Revenues by business line

The only business line of the Group is the “NanoPC” line, which comprises a) miniaturised electronic modules and systems for the transport, logistics, defence, security, medical and industrial sectors; b) gateways, edge-computers and software platforms for the Internet of Things.

### Summary of the results



## 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. as at 30 September 2019

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	783,020
Stock market capitalisation (based on the average price in September 2019)	€220 million
Stock market capitalisation (based on the reference price as at 30 September 2019)	€256 million

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

Relative performance EUROTECH S.p.A.  
01.01.2019 – 30.09.2019

The line graph shows the share's performance based on daily relevant 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’ and ‘ubiquitous computing’. The pervasive concept combines three key factors: 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 and communicate with each other in a network.

Equipped with a small, interconnected computer, any object can generate a flow of data and potentially become an asset that can be controlled via an app or a web-app: from a vending machine to a boiler, from an agricultural vehicle to a locomotive. But to create the “Internet of Things” there’s the need to manage the interface between the real world and the digital world, between sensors and the web, and between smart devices and Cloud applications.

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, that can be easily connected to one another and to the cloud through hardware and software technologies of the Internet of Things (IoT).

The Group’s offering is modular featuring different levels of hardware and software integration and it is structured as follows:

- base hardware components for computing and communication: electronic processing and communication boards designed according to both standard and proprietary form factors (PC/104, Com-Express, VME, CompactPCI, etc.);
- high and very high performance, low consumption processing and communications sub-systems for fixed and mobile applications, built using basic components and third-party components (product families: BoltCOR, DynaCOR and custom systems);
- ready-to-use devices and sensors built from components and sub-systems with the integration of specific software (the ReliaGATE and DynaGATE families for IoT Gateways, the BoltGATE family for Edge Computers, and the PCN and ReliaSENS family for intelligent sensors);
- IoT software to integrate forementioned base hardware components, embedded sub-systems, and devices with the cloud: Everyware Software Framework (ESF) for the Edge Computers (on the Operational Technology side) and Everyware Cloud (EC) integration platform for the Cloud Data Center (on the Information Technology side);
- solution design and product personalisation services (starting from our IP portfolio) in order to simplify the integration of our products within customer’s products.

Eurotech offerings can be used in various application environments, both traditional and emerging. The Group’s presence is strongest in the industrial manufacturing, transportation, medical, energy and defence sectors. What our customers share is a common need to find not just the right supplier, but a centre of technological competence and they recognise that Eurotech can be the partner to innovate their products as well as their way of doing business. Our goal with our offering is to reduce Time-to-Market and Total Cost of Ownership for our customers so that they can concentrate and extract the best from their “core” business.

With the emergence of Industry 4.0 and the diffusion of artificial intelligence and collaborative robotics, much of the processing power that in the past moved 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). More and more computers will be in demand at the periphery provided they will be connected to the cloud (the so called Edge Computers) and the connection will have to be guaranteed by the two



software components that are the pillars of Eurotech's IoT software platform, i.e. ESF at the Edge and EC in the Cloud. Eurotech, a step ahead of the market, developed in the past years a platform for the Industrial IoT, marketed as the Everyware lot and thanks to the open innovation model adopted for its development, this platform is becoming a de-facto standard.

While we continue to improve our offer of hardware and software technology components for the digital transformation of enterprises, we are also able to design architectures for cybersecure end-to-end solutions to easily connect and manage distributed intelligent objects and to transport valuable data from these objects to business applications. All by leveraging existing computing and communication infrastructures (fixed and mobile telecommunications networks and Cloud Data Centers). Thanks to this know-how, our partners and customers can easily and quickly create lean and flexible solutions that support asset monitoring applications in various operational contexts and enable the provision of new value-added services.

Regarding HPCs, these instead must be re-shaped: they must begin to be miniaturised, just as personal computers became smaller in the 1990s, until they can be used at the Edge. Thus, HPCs will move from the "centre" to the "periphery", becoming what are known today as HPECs (High Performance Embedded Computers) and if always connected to the Internet they become High Performance Edge Computers. Thanks to the know-how acquired throughout the years on the design and development of HPCs with hot water, low pressure cooling, Eurotech is one of just a handful of companies that is able to offer very compact HPCs that are capable of operating in very small spaces typical of mobile applications and are ready to meet the current needs of industrial applications of artificial intelligence.



## Summary of performance in the third quarter of 2019 and business outlook

### *Introduction*

The interim management statement of the Eurotech Group as at 30 September 2019, 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 as at 30 September 2019 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 as at 30 September 2019 prepared by the consolidated companies and adjusted, where necessary, to align them with the Group's IFRS-compliant accounting and classification policies.

The assessment and accounting policies and consolidation methods used to prepare the Consolidated Quarterly Report are consistent with those used in the Group Consolidated Annual Financial Report as at 31 December 2018, to which we expressly invite readers to refer, except for the adoption of new standards, amendments and interpretations in force as at 1 January 2019.

In particular, the Consolidated Quarterly Report for the third quarter of 2019 was formulated applying standard IFRS 16 - Leases, which establishes a new method for recognising lease contracts by introducing a criterion based on the control (right of use) of the asset to differentiate lease contracts from contracts for the provision of services. The effects, which will also be highlighted in this report, refer in particular to the representation of net financial indebtedness (higher indebtedness by €3.72 million) and the Group EBITDA (an improvement of €1.10 million), while the effect on EBIT was only of €40 thousand.

Taxes have been calculated based on the current best possible estimates, also taking into account the tax benefit of using tax losses based on the forecasted results for the end of the year. 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 of non-current assets, the valuation of affiliates at equity, financial income and expenses and income taxes for the period;
- EBIT, or earnings before the valuation of affiliates at equity, financial income and expenses and income taxes for the period.

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

The third quarter of the year ended showing, once again, very positive results both in terms of turnover and intermediate results. Turnover of the quarter amounted to €26.67 million, up 35.7% against the corresponding period of 2018.

Group revenues in the first nine months of 2019 totalled €79.70 million, up by 39.9% compared to the same period of 2018 when turnover was €56.97 million. At constant exchange rates, the increase would be 33.4%. EBITDA for the nine months remained above 20% of the turnover, as was also seen over the course of the first half year.

With reference to the localisation of the Group activities, the highest turnover in the nine months of the year was generated in North America, accounting for 49.4% of the total (41.6% in the nine months of 2018), followed by the European area with 27.1% (25.3% in the nine months of 2018), while Japan covers the remaining 23.4% (33.1% in the nine months of 2018).

The third quarter of 2019 benefitted from some requests made by customers to ship products before the set schedules, and confirmed that Europe and the USA generated the highest turnover, while turnover in Japan with historical customers remained steady, with customers that continue to demonstrate their confidence in the company's ability to develop technology solutions for the new generations of their products.

In terms of turnover, the turnover achieved in the full 12 months of 2018 has already been passed with the nine months of 2019. This good result is due to the orders collected during the last 18 months, which are continuing to be higher than those received last year.

Gross profit in the period was €40.05 million, accounting for 50.3% of revenues, compared to 48.2% in 9M18. This value improved compared to both the first six months of 2019 (accounting for 49.7%) and the year 2018 (which amounted to 47.5%). In percentage terms, the gross profit margin reflects what was forecast in the plan for the year, i.e. a value close to 50%. Margins are expected to remain constant in the last quarter of the year as well.

If on the one hand the significant growth during the period led to an increase in absolute terms in operating costs gross of adjustments, on the other it underscored the Group's ability to activate operational leverage. Operating costs accounted for 32.4% of revenues in the nine months, in line with what was recorded in the first half of 2019, sharply improved compared to the 42.7% of the first nine months of 2018. In absolute value, operating costs were up in the first nine months of 2019 by €1.50 million (6.1%) to service present and future growth in revenues. Additional costs in the areas of R&D and sales will be incurred during the quarters to come to support additional growth in turnover and to increase our ability to attract new customers. The entry into force this year of IFRS 16 entailed a reduction in operating

costs of €1.1 million. Even with a recalculation of 2018 operating costs in application of IFRS 16, the impact of operating costs on revenues improved significantly.

Payroll costs amounted to €15.35 million, which means 19.3% of revenues, that is a decrease from the same period of the previous year (23.8%). The workforce as at 30 September 2019 was 315 (302 as at 31 December 2018 and 300 as at 30 September 2018), with an average for the period of 310 employees (297.5 in the first nine months of 2018).

EBITDA for the first nine months was €16.19 million (20.3% of revenues) compared with €5.61 million in 2018 (9.8% of revenues), reflecting the trend of both gross profit and of operating costs and other revenues.

EBIT came to €13.25 million in 9M19 (16.6% of revenues), compared to €4.15 million in 9M18 (7.3% of revenues). In addition to the above, EBIT performance also reflects the depreciation and amortisation recognised in the income statement in the first nine months of 2019, deriving from operating assets becoming subject to depreciation during the period. Furthermore, the application from 1 January 2019 of the new standard IFRS 16, according to which rental expenditure must be capitalised, has affected on depreciation and amortisation expense of €1.08 million.

Net finance expense was negative for €134 thousand in the first nine months of 2019, while in the first nine months of 2018 it was negative for €140 thousand. For greater detail, readers should refer to the comments made in Note “J”.

The Group booked a pre-tax profit in 9M19 of €13.12 million, versus a value of €3.99 million in 9M18. The improvement of the pre-tax result, equal to €9.12 million, reflects mainly the improvement of EBIT.

Estimated taxes, calculated based on the rates established for the year by governing regulations and considering the tax benefit for only using tax losses based on the forecasted results for the end of the year, amounts to €1.19 million. Therefore, the result for the period was influenced by the recognition of deferred tax assets of €0.75 million for the expected uses to be made by the American and Italian companies. Deferred tax assets coming from the tax losses of the previous years, which might be used next year based on the forecasted positive results, have not yet been recognised.

The net result for the Group was €11.93 million, equivalent to 15.0% of revenues, a significant increase from €3.38 million in the first nine months of 2018.

The economic and financial performance has allowed to improve the net financial position as at 30 September 2019, which shows a net cash position of Euro 8.99 million net of financial debts coming from the application of the IFRS16 which amount to Euro 3.74 million.

## 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 (€ '000)	Notes	9M 2019 (b)	of which related parties	%	9M 2018 (a)	of which related parties	%	change (b-a) amount	%
Sales revenue	C	79,698	483	100.0%	56,974	1,070	100.0%	22,724	39.9%
Cost of material	D	(39,648)		-49.7%	(29,494)		-51.8%	10,154	34.4%
<b>Gross profit</b>		<b>40,050</b>		<b>50.3%</b>	<b>27,480</b>		<b>48.2%</b>	<b>12,570</b>	<b>45.7%</b>
Services costs	E	(9,682)	-	-12.1%	(9,007)	-	-15.8%	675	7.5%
Lease & hire costs		(250)		-0.3%	(1,225)		-2.2%	(975)	-79.6%
Payroll costs	F	(15,351)		-19.3%	(13,582)		-23.8%	1,769	13.0%
Other provisions and costs	G	(554)		-0.7%	(527)		-0.9%	27	5.1%
Other revenues	H	1,979		2.5%	2,472		4.3%	(493)	-19.9%
<b>EBITDA</b>		<b>16,192</b>		<b>20.3%</b>	<b>5,611</b>		<b>9.8%</b>	<b>10,581</b>	<b>188.6%</b>
Depreciation & Amortization	I	(2,932)		-3.7%	(1,459)		-2.6%	1,473	101.0%
Asset impairment	I	(10)		0.0%	0		0.0%	10	n/a
<b>EBIT</b>		<b>13,250</b>		<b>16.6%</b>	<b>4,152</b>		<b>7.3%</b>	<b>9,098</b>	<b>219.1%</b>
Subsidiaries management	L	0		0.0%	(19)		0.0%	(19)	-100.0%
Finance expense	J	(880)		-1.1%	(811)		-1.4%	69	8.5%
Finance income	J	746	4	0.9%	671	3	1.2%	75	11.2%
<b>Profit before tax</b>		<b>13,116</b>		<b>16.5%</b>	<b>3,993</b>		<b>7.0%</b>	<b>9,123</b>	<b>228.5%</b>
Income tax	K	(1,189)		-1.5%	(616)		-1.1%	573	93.0%
<b>Net profit (loss) of continuing operations before minority interest</b>		<b>11,927</b>		<b>15.0%</b>	<b>3,377</b>		<b>5.9%</b>	<b>8,550</b>	<b>253.2%</b>
<b>Minority interest</b>	<b>O</b>	<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>11,927</b>		<b>15.0%</b>	<b>3,377</b>		<b>5.9%</b>	<b>8,550</b>	<b>253.2%</b>
<b>Base earnings per share</b>		<b>0.344</b>			<b>0.099</b>				
<b>Diluted earnings per share</b>		<b>0.344</b>			<b>0.099</b>				

<b>CONSOLIDATED INCOME STATEMENT</b>					
	Notes	3rd Qtr 2019	%	3rd Qtr 2018	%
(€ '000)					
Sales revenue	C	26,660	100%	19,652	100%
Cost of material	D	(12,950)	-48.6%	(10,206)	-51.9%
<b>Gross profit</b>		<b>13,710</b>	<b>51.4%</b>	<b>9,446</b>	<b>48.1%</b>
Services costs	E	(3,255)	-12.2%	(3,129)	-15.9%
Lease & hire costs		(89)	-0.3%	(402)	-2.0%
Payroll costs	F	(5,276)	-19.8%	(4,673)	-23.8%
Other provisions and costs	G	(132)	-0.5%	(114)	-0.6%
Other revenues	H	360	1.4%	854	4.3%
<b>EBITDA</b>		<b>5,318</b>	<b>19.9%</b>	<b>1,982</b>	<b>10.1%</b>
Depreciation & Amortization	I	(1,012)	-3.8%	(511)	-2.6%
Asset impairment	I	0	0.0%	0	0.0%
<b>EBIT</b>		<b>4,306</b>	<b>16.2%</b>	<b>1,471</b>	<b>7.5%</b>
Subsidiaries management	L	0	0.0%	0	0.0%
Finance expense	J	(374)	-1.4%	(162)	-0.8%
Finance income	J	492	1.8%	74	0.4%
<b>Profit before tax</b>		<b>4,424</b>	<b>16.6%</b>	<b>1,383</b>	<b>7.0%</b>
Income tax	K	(1,330)	-5.0%	81	0.4%
<b>Net profit (loss) of continuing operations before minority interest</b>		<b>3,094</b>	<b>11.6%</b>	<b>1,464</b>	<b>7.4%</b>
Minority interest	O	0	0.0%	0	0.0%
<b>Group net profit (loss) for period</b>	<b>O</b>	<b>3,094</b>	<b>11.6%</b>	<b>1,464</b>	<b>7.4%</b>
Base earnings per share					
Diluted earnings per share					

## Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	9M 2019	9M 2018
(€ '000)		
<b>Net profit (loss) before minority interest (A)</b>	<b>11,927</b>	<b>3,377</b>
<i>Other elements of the statement of comprehensive income</i>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Net profit/(loss) from Cash Flow Hedge	( 53)	5
Tax effect	-	-
	( 53)	5
<i>Foreign balance sheets conversion difference</i>	<i>3,925</i>	<i>1,181</i>
<i>Exchange differences on equity method</i>	<i>-</i>	<i>-</i>
Exchange differences on equity investments in foreign companies	1,943	1,249
Tax effect	-	-
	1,943	1,249
<b>After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)</b>	<b>5,815</b>	<b>2,435</b>
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial gains/(losses) on defined benefit plans for employees	-	-
Tax effect	-	-
	-	-
<b>After taxes net other comprehensive income not being reclassified to profit or loss in subsequent periods (C)</b>	<b>-</b>	<b>-</b>
<b>Comprehensive net result (A+B+C)</b>	<b>17,742</b>	<b>5,812</b>
<b>Comprehensive minority interest</b>	<b>-</b>	<b>-</b>
<b>Comprehensive Group net profit (loss) for period</b>	<b>17,742</b>	<b>5,812</b>

**Consolidated statement of financial position**

(€'000)	Notes	at September 30, 2019	of which related parties	at December 31, 2018	of which related parties
<b>ASSETS</b>					
Intangible assets		91,219		85,369	
Property, Plant and equipment		6,322		2,579	
Investments in other companies		165		160	
Deferred tax assets		2,840		3,025	
affiliates companies and other Group companies		92	92	87	87
Other non-current assets		689		654	
<b>Total non-current assets</b>	<b>L</b>	<b>101,327</b>		<b>91,874</b>	
Inventories		21,866		21,998	
Contracts in progress		-	-	86	86
Trade receivables		16,358	-	13,808	1,000
Income tax receivables		435		298	
Other current assets		2,621		2,183	
Other current financial assets		109	14	104	10
Cash & cash equivalents		24,933		13,196	
<b>Total current assets</b>		<b>66,322</b>		<b>51,673</b>	
<b>Total assets</b>		<b>167,649</b>		<b>143,547</b>	
<b>LIABILITIES AND EQUITY</b>					
Share capital		8,879		8,879	
Share premium reserve		136,400		136,400	
Other reserves		( 24,902)		( 43,237)	
<b>Group shareholders' equity</b>	<b>O</b>	<b>120,377</b>		<b>102,042</b>	
<b>Equity attributable to minority interest</b>	<b>O</b>	<b>-</b>		<b>-</b>	
<b>Total shareholders' equity</b>	<b>O</b>	<b>120,377</b>		<b>102,042</b>	
Medium-/long-term borrowing		12,495		4,312	
Employee benefit obligations		2,768		2,465	
Deferred tax liabilities		3,214		3,035	
Other non-current liabilities		847		782	
<b>Total non-current liabilities</b>		<b>19,324</b>		<b>10,594</b>	
Trade payables		13,228	-	14,411	132
Short-term borrowing		7,319		8,125	
Derivative instruments		73		20	
Income tax liabilities		158		1,571	
Other current liabilities		7,170		6,784	
<b>Total current liabilities</b>		<b>27,948</b>		<b>30,911</b>	
<b>Total liabilities</b>		<b>47,272</b>		<b>41,505</b>	
<b>Total liabilities and equity</b>		<b>167,649</b>		<b>143,547</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
<b>Balance as at December 31, 2017</b>	<b>8,879</b>	<b>1,385</b>	<b>136,400</b>	<b>8,817</b>	<b>( 58,830)</b>	<b>( 9)</b>	<b>( 456)</b>	<b>2,280</b>	<b>( 3,097)</b>	<b>( 4,672)</b>	<b>90,697</b>	<b>-</b>	<b>90,697</b>
2017 Result allocation	-	-	-	-	( 4,672)	-	-	-	-	4,672	-	-	-
Profit (loss) as at September 30, 2018	-	-	-	-	-	-	-	-	-	3,377	3,377	-	3,377
<i>Comprehensive other profit (loss):</i>													
- 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>-</b>	<b>-</b>	<b>-</b>	<b>1,181</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>1,249</b>	<b>-</b>	<b>3,377</b>	<b>5,812</b>	<b>-</b>	<b>5,812</b>
- Performance Share Plan	-	-	-	-	237	-	-	-	221	-	458	-	458
<b>Balance as at September 30, 2018</b>	<b>8,879</b>	<b>1,385</b>	<b>136,400</b>	<b>9,998</b>	<b>( 63,265)</b>	<b>( 4)</b>	<b>( 456)</b>	<b>3,529</b>	<b>( 2,876)</b>	<b>3,377</b>	<b>96,967</b>	<b>-</b>	<b>96,967</b>

(€'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
<b>Balance as at December 31, 2018</b>	<b>8,879</b>	<b>1,385</b>	<b>136,400</b>	<b>12,223</b>	<b>( 63,924)</b>	<b>( 20)</b>	<b>( 425)</b>	<b>3,925</b>	<b>( 2,083)</b>	<b>5,682</b>	<b>102,042</b>	<b>-</b>	<b>102,042</b>
2018 Result allocation	-	391	-	-	5,291	-	-	-	-	( 5,682)	-	-	-
Profit (loss) as at June 30, 2019	-	-	-	-	-	-	-	-	-	11,927	11,927	-	11,927
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	( 53)	-	-	-	-	( 53)	-	( 53)
- Foreign balance sheets conversion difference	-	-	-	3,925	-	-	-	-	-	-	3,925	-	3,925
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	1,943	-	-	1,943	-	1,943
<b>Total Comprehensive result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,925</b>	<b>-</b>	<b>( 53)</b>	<b>-</b>	<b>1,943</b>	<b>-</b>	<b>11,927</b>	<b>17,742</b>	<b>-</b>	<b>17,742</b>
- Performance Share Plan	-	-	-	-	349	-	-	-	244	-	593	-	593
<b>Balance as at September 30, 2019</b>	<b>8,879</b>	<b>1,776</b>	<b>136,400</b>	<b>16,148</b>	<b>( 58,284)</b>	<b>( 73)</b>	<b>( 425)</b>	<b>5,868</b>	<b>( 1,839)</b>	<b>11,927</b>	<b>120,377</b>	<b>-</b>	<b>120,377</b>

## Net financial position

Pursuant to the CESR recommendation of 10 February 2005, the following table shows the Group's net financial position as at 30 September 2019, breaking it down by due date and comparing it with the situation as at 30 September 2018 and as at 31 December 2018:

(€'000)		at September 30, 2019	at December 31, 2018	at September 30, 2018
Cash & cash equivalents	A	( 24,933)	( 13,196)	( 8,541)
<b>Cash equivalent</b>	<b>B=A</b>	<b>( 24,933)</b>	<b>( 13,196)</b>	<b>( 8,541)</b>
Other current financial assets	C	( 109)	( 104)	( 98)
Derivative instruments	D	73	20	4
Short-term borrowing	E	7,319	8,125	7,842
<b>Short-term financial position</b>	<b>F=C+D+E</b>	<b>7,283</b>	<b>8,041</b>	<b>7,748</b>
<b>Short-term net financial position</b>	<b>G=B+F</b>	<b>( 17,650)</b>	<b>( 5,155)</b>	<b>( 793)</b>
Medium/long term borrowing	H	12,495	4,312	2,026
<b>Medium-/long-term net financial position</b>	<b>I=H</b>	<b>12,495</b>	<b>4,312</b>	<b>2,026</b>
<b>(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions</b>	<b>J=G+I</b>	<b>( 5,155)</b>	<b>( 843)</b>	<b>1,233</b>
Medium/long term borrowing allowed to affiliates companies and other Group	K	( 92)	( 87)	( 86)
<b>(NET FINANCIAL POSITION) NET DEBT</b>	<b>L=J+K</b>	<b>( 5,247)</b>	<b>( 930)</b>	<b>1,147</b>

It is highlighted that, from 1 January 2019, the new standard IFRS 16 "Leases" was adopted, which establishes a new method for recognising lease contracts (Right of Use) which must be recognised under financial liabilities. Following the adoption of the new standard, greater financial liabilities were recognised as at 30 September 2019 in the amount of €3.74 million; net of this effect, the net financial position would have been €8.99 million.

With regard to liquidity, the change is due to the net effect deriving from the liquidity generated during the first half and from liquidity obtained after new loans were opened, net of payments of loan instalments and the use of the loan to support the current operating activities and disbursements relating to investments made to support the various business areas.

## Net working capital

The Group's net working capital as at 30 September 2019, compared with the situation as at 30 September 2018 and 31 December 2018, is as follows:

(€'000)	at September 30, 2019 (b)	at December 31, 2018 (a)	at September 30, 2018	Changes (b-a)
Inventories	21,866	21,998	22,296	(132)
Contracts in progress	0	86	86	(86)
Trade receivables	16,358	13,808	13,967	2,550
Income tax receivables	435	298	218	137
Other current assets	2,621	2,183	1,764	438
<b>Current assets</b>	<b>41,280</b>	<b>38,373</b>	<b>38,331</b>	<b>2,907</b>
Trade payables	(13,228)	(14,411)	(14,732)	1,183
Income tax liabilities	(158)	(1,571)	(319)	1,413
Other current liabilities	(7,170)	(6,784)	(6,522)	(386)
<b>Current liabilities</b>	<b>(20,556)</b>	<b>(22,766)</b>	<b>(21,573)</b>	<b>2,210</b>
<b>Net working capital</b>	<b>20,724</b>	<b>15,607</b>	<b>16,758</b>	<b>5,117</b>

## Cash flows

(€'000)		at September 30, 2019	at December 31, 2018	at September 30, 2018
Cash flow generated (used) in operations	A	11,803	10,577	7,227
Cash flow generated (used) in investment activities	B	( 2,820)	( 3,237)	( 2,151)
Cash flow generated (absorbed) by financial assets	C	2,485	( 905)	( 3,200)
Net foreign exchange difference	D	269	16	( 80)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	11,737	6,451	1,796
<b>Opening amount in cash &amp; cash equivalents</b>		<b>13,196</b>	<b>6,745</b>	<b>6,745</b>
<b>Cash &amp; cash equivalents at end of period</b>		<b>24,933</b>	<b>13,196</b>	<b>8,541</b>

## A – Eurotech Group business

The Group's business activities are now grouped into a single business line, which includes both high performance special-purpose miniaturised computers, and SW integration platforms for Industrial Internet of Things (IIoT).

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, and 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 – Basis of consolidation

The companies included in the basis of consolidation on a line-by-line basis as at 30 September 2019 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, Italy)	Euro 8,878,946	
<i>Subsidiary companies consolidated line-by-line</i>			
Aurora S.r.l.	Via Fratelli Solari 3/A – Amaro (UD, Italy)	Euro 10,000	100.00%
EthLab S.r.l.	Viale Dante, 300 – Pergine (TN, Italy)	Euro 115,000	100.00%
Eurotech Inc.	Columbia (MD, USA)	USD 26,500,000	100.00%
Eurotech Ltd.	Cambridge (UK)	GBP 33,333	100.00%
E-Tech USA Inc.	Columbia (MD, 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)	€ 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 following affiliates are also valued at equity:

Rotowi Technologies S.p.A. in liquidation (formerly U.T.R.I. S.p.A.)	Via Ghega, 15 – Trieste	21.31%
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*Other smaller companies valued at cost*

Kairos Autonomi Inc.	Sandy (UT, USA)	19.00%
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No changes took place with regard to subsidiaries and affiliates in the period as at 30 September 2019 compared with 31 December 2018.

The rates correspond to those released by the Italian Foreign Exchange Bureau (Ufficio Italiano Cambi).

Currency	Average 9M 2019	As of September 30, 2019	Average 2018	As of December 31, 2018	Average 2018	As of June 30, 2018
British pound sterling	0.88346	0.88573	0.88471	0.89453	0.87977	0.88605
Japanese Yen	122.56963	117.59000	130.39588	125.85000	131.60570	129.04000
USA Dollar	1.12362	1.08890	1.18096	1.14500	1.21040	1.16580

## C - Revenues

Revenues earned by the Group in the first nine months of 2019 amount to €79.70 million (€56.97 million in the first nine months of 2018), an increase of €22.72 million (39.9%) on the same period of last year. The increase reflects the trend of orders both last year and those received during 2019. The areas of greater growth were the US and Europe, where historical customers have increased their order volumes to the Group and where we were able to attract new customers more quickly owing to the Group's ability to propose advanced technological solutions recognised worldwide.

For operating purposes, the Group is organised in a single business line, also known as business segment, called NanoPC.

Based on the criteria for monitoring activities currently used, a 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 localisation of Group assets and operations. The areas identified within the Group are: Europe, North America and Asia.

### Revenues 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 2019	9M 2018	% YoY Change	9M 2019	9M 2018	% YoY Change	9M 2019	9M 2018	% YoY Change	9M 2019	9M 2018	% YoY Change	9M 2019	9M 2018	% YoY Change
Third party Sales	39,398	23,708		21,608	14,413		18,692	18,853		0	0		79,698	56,974	
Infra-sector Sales	593	558		5,673	3,610		1,032	142		( 7,298)	( 4,310)		0	0	
Total Sales revenues	39,991	24,266	64.8%	27,281	18,023	51.4%	19,724	18,995	3.8%	( 7,298)	( 4,310)	-69.3%	79,698	56,974	39.9%

The North American business area's revenues totalled €39.99 million in the first nine months of 2019 compared with €24.27 million in the first nine months of 2018, again recording a significant rise (+64.8% compared with 2018), including intra-sector revenues. The activities performed over the last two years on the one hand led to the Group proposing new solutions to consolidated customers and, on the other, to the Group interfacing with new customers for opportunities in both the traditional Embedded PC product line and those relating to the new innovative solutions proposed in the Artificial Intelligence (AI) and IoT fields.

Also the Europe business region recorded a significant increase, in so far as turnover rose from €18.02 million for 9M18 to €27.28 million for 9M19, thus posting 51.4% growth including intra-sector revenues. This increase confirms Europe at record levels also for the end of the year. These results were brought about by new business opportunities generated through new customers with important recurring orders in the new sector of autonomous systems that use Artificial Intelligence and that are linked to HPEC (High Performance Embedded Computer) technologies, as well as in traditional sectors such as intelligent transportation, and in sectors related to Industry 4.0 that need technology components to implement IoT solutions.

Finally, the Asia geographic area remains more or less in line with last year, passing from €18.99 million to €19.72 million, benefitting from an exchange rate effect when translating the financial statements. Also, in this area, new joint development activities have begun and continue on a positive note with important customers, which will translate into revenue growth in the coming years.

### Revenues by customer geographical area

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

(€' 000)	9M 2019	%	9M 2018	%	var. %
<b>BREAKDOWN BY GEOGRAPHIC AREA</b>					
European Union	19,454	24.4%	11,354	19.9%	71.3%
United States	38,456	48.3%	24,513	43.0%	56.9%
Japan	18,693	23.5%	18,854	33.1%	-0.9%
Other	3,095	3.9%	2,253	4.0%	37.4%
<b>TOTAL SALES AND SERVICE REVENUES</b>	<b>79,698</b>	<b>100.0%</b>	<b>56,974</b>	<b>100.0%</b>	<b>39.9%</b>

With reference to the figures by geographical area reported in the table, revenues in the US rose by 56.9% and the area's contribution to total revenues in the first nine months of 2019 confirmed this to be the most important area, representing 48.3% of total revenues.

Europe enjoyed a 71.3% increase compared to the nine months of 2018, becoming the second most important area, accounting for 24.4% of the Group's revenues.

Japan remained basically unchanged in terms of revenues, in absolute value, and accounted for 23.5% of Group revenues.

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

Costs of raw & auxiliary materials and consumables used, which relate strictly to revenues, recorded an increase in the periods considered, rising from €29.49 million in the first nine months of 2018 to €39.65 million in the first nine months of 2019. In the period under review there was thus a variation of €10.14 million (34.4%), lower than the increase in revenues, which was 39.9%. This different incidence brought about a gross profit 2% higher than that of the nine months of 2018 and also higher than that achieved at the end of 2018. The gross profit trend is strictly correlated to the different product mix sold in the quarters in question, in the different geographical areas and in the different market segments.

As a percentage of revenues, consumption of raw & auxiliary materials and consumables fell from 51.8% in the first nine months of 2018 to 49.7% in the first nine months of 2019.

### ***E – Service costs***

The growth of the variable component of service costs led to an increase of the same of €0.67 million, corresponding to 7.5%, taking the absolute value to €9.68 million. This cost item as a percentage of revenues improved, changing from 15.8% in 9M18 to 12.1% in 9M19.

In addition to referring to ordinary operations and therefore to sustaining the higher revenues, the costs pertain to the investments the Group continues to make in the new business line of the IoT platforms for applications in the industry and in services in addition to developments linked to the HPEC product line. These investments are aimed at both supporting the research and development area which must maintain product portfolio in line with the technological innovations of the sector, and strengthening the sales and marketing divisions which must give visibility to the existing product range.

### ***F – Payroll costs***

In the period under review, payroll costs increased from €13.58 million (23.8% of revenues) to €15.35 million (19.3% of revenues). At the end of the third quarter of 2019, the number of employees had increased by 13 units compared to the end of the year. This was due to the strengthening of the workforce, believed to be further continued. At present, the number of employees is higher and new people are sought to continue to bring skills to the company needed to develop and achieve the strategic vision of the Group and its business model.

Wages and Salaries also includes €593 thousand relating to the pro rata temporis portion of the cost of the Share Performance Plan in place (in the first nine months of 2018, the amount recorded under costs was €458 thousand).

The table below shows the number of Group employees:

EMPLOYEES	at September 30, 2019	at December 31, 2018	at September 30, 2018
Manager	10	11	11
Clerical workers	286	272	272
Line workers	19	19	17
<b>TOTAL</b>	<b>315</b>	<b>302</b>	<b>300</b>

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

As at 30 September 2019, this item included a provision for doubtful accounts of €58 thousand (€58 thousand in the first nine months of 2018) and refers to provisions made for the possibility of uncollectable trade receivables.

Other provisions and costs as a percentage of revenues were 0.7%, lower than the 0.9% recorded in the same period in 2018.

### ***H – Other revenues***

The other revenues item decreased from €2.47 million in 9M18 to €1.98 million in 9M19.

Other revenues mainly comprise the capitalisation of development costs for new solutions featuring highly integrated standard modules and systems for €1.84 million (€1.70 million in the 9M18), as well as miscellaneous income of €0.14 million (€0.77 million in the 9M18).

### ***I – Depreciation, amortization and impairment***

This item increased by €1.48 million, from €1.46 million in 9M18 to €2.94 million in 9M19. This item includes depreciation and amortisation expense of €1,08 million due to the application of IFRS 16.

### ***J – Financial income and expenses***

Financial expenses rose from €0.81 million for the first nine months of 2018 to €0.88 million for the first nine months of 2019. This increase is mostly attributed to the increase in interest related to the "Right of Use", in application of the new IFRS 16 standard, which amounts to €49 thousand.

Financial income, again due to exchange rates, rose by €75 thousand, from €0.67 million for the first nine months of 2018 to €0.75 million for the first nine months of 2019.



The absolute value and percentage on revenues of the main financial income and expense item were as follows:

- foreign exchange losses: €0.47 million as at 30 September 2019 (0.6% as a percentage of revenues), compared with €0.47 million as at 30 September 2018 (0.8% as a percentage of revenues);
- foreign exchange gains: €0.73 million as at 30 September 2019 (0.9% as a percentage of revenues), compared with €0.65 million as at 30 September 2018 (1.1% as a percentage of revenues);
- miscellaneous interest expenses: €297 thousand as at 30 September 2019 (0.5% as a percentage of revenues), compared with €292 thousand as at 30 September 2018 (0.6% as a percentage of revenues).

3rd Q 2019	3rd Q 2018	€'000	9M 2019	9M 2018	var. %
251	59	Exchange-rate losses	468	475	-1.5%
86	91	Interest expenses	297	292	1.7%
7	2	Expenses on derivatives	16	12	33.3%
30	10	Other finance expenses	99	32	209.4%
<b>374</b>	<b>162</b>	<b>Financial charges</b>	<b>880</b>	<b>811</b>	<b>8.5%</b>
487	68	Exchange-rate gains	727	653	11.3%
8	5	Interest income	16	13	23.1%
(3)	1	Other finance income	3	5	-40.0%
<b>492</b>	<b>74</b>	<b>Financial incomes</b>	<b>746</b>	<b>671</b>	<b>11.2%</b>
<b>118</b>	<b>( 88)</b>	<b>Net financial income</b>	<b>( 134)</b>	<b>( 140)</b>	<b>-4.3%</b>
<b>0.4%</b>	<b>-0.4%</b>	<b>% impact on sales</b>	<b>-0.2%</b>	<b>-0.4%</b>	

## K - Income taxes

Income taxes as at 30 September 2019 were negative as a whole for €1.19 million (of which €862 thousand for current taxes, €293 thousand for net deferred tax assets and €34 thousand for expenses for taxes of previous years), compared with a negative impact of €616 thousand as at 30 September 2018 (of which €623 thousand for current taxes and €7 thousand for net deferred tax assets), representing a negative change of €573 thousand.

## L – Non-current assets

The positive change in non-current assets between 31 December 2018 and 30 September 2019 of € 9.45 million was primarily due to the increase in property, plant and equipment following the application of the new IFRS 16 (for €3.72 million) standard as well as foreign exchange rate changes.

Net investments of about €2.79 million in property, plant and equipment and intangible assets are partially offset by depreciation and amortisation for €2.93 million, of which €1.08 million for the application of the new IFRS 16 standard in relation to recognition of “Leases”.

The most significant increases are related to intangible assets and are largely linked to projects to develop new products for a total amount equal to €2.26 million.

## a – Intangible assets

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

(€ '000)	DEVELOPMENT COSTS	GOODWILL	SOFTWARE TRADEMARKS PATENTS	ASSETS UNDER CONSTRUCTI ON & ADVANCES	TOTAL INTANGIBLE ASSETS
<b>OPENING BALANCE (A)</b>	<b>2,487</b>	<b>70,898</b>	<b>8,716</b>	<b>3,268</b>	<b>85,369</b>
<i>Changes as at September 30, 2019</i>					
- Purchases	385	-	130	1,878	2,393
- Disposals	( 7)	-	-	-	( 7)
- Amortisation and impairment in period (-)	( 1,368)	-	( 98)	( 11)	( 1,477)
- Discontinued operations	-	-	-	-	-
- Other changes	2,605	4,262	605	( 2,531)	4,941
<b>Total changes (B)</b>	<b>1,615</b>	<b>4,262</b>	<b>637</b>	<b>( 664)</b>	<b>5,850</b>
<b>CLOSING BALANCE (A+B)</b>	<b>4,102</b>	<b>75,160</b>	<b>9,353</b>	<b>2,604</b>	<b>91,219</b>

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

(€ '000)	at September 30, 2019		at December 31, 2018	
Cash generating units	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Inc.	47,425	9,006	44,312	8,415
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	22,528	-	21,428	-
Eurotech Ltd. (ex Arcom Ltd.)	4,931	-	4,882	-
Eurotech France S.a.s.	186	-	186	-
Other	90	-	90	-
<b>TOTAL</b>	<b>75,160</b>	<b>9,006</b>	<b>70,898</b>	<b>8,415</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	RIGHT OF USE ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
<b>OPENING BALANCE (A)</b>	<b>1,066</b>	<b>274</b>	<b>461</b>	<b>728</b>	<b>2</b>	<b>48</b>	<b>2,579</b>
<i>Changes as at September 30, 2019</i>							
- Purchases	19	17	64	253	-	48	401
- Increases from IFRS 16	-	-	-	-	-	4,651	4,651
- Amortisation and impairment in period (-)	( 24)	( 44)	( 130)	( 172)	-	( 1,096)	( 1,466)
- Other changes	1	8	25	12	-	123	169
<b>Total changes (B)</b>	<b>( 4)</b>	<b>( 19)</b>	<b>( 44)</b>	<b>92</b>	<b>-</b>	<b>3,718</b>	<b>3,743</b>
<b>CLOSING BALANCE (A+B)</b>	<b>1,062</b>	<b>255</b>	<b>417</b>	<b>820</b>	<b>2</b>	<b>3,766</b>	<b>6,322</b>

## **M – Net working capital**

Net working capital increased by €5.12 million, from €15.61 million as at 31 December 2018 to €20.72 million as at 30 September 2019. This performance is due to the different trend of the collection and payment flows, and to the increase in trade receivables due to the higher revenues enjoyed in the third quarter, which was only partially offset by lower trade payables.

The positive change of €2.91 million in current assets was mainly due to the increase of trade receivables of €2.55 million and of other current assets of €0.44 million.

On the other hand, current liabilities decreased with the lower trade payables for €1.18 million and a reduction in income tax payables for €1.41 million.

## **N – Net financial position**

The consolidated net financial position as at 30 September 2019, excluding financial payables for the right of use introduced by IFRS 16, amounted to a net cash of €8.99 million, compared a net financial position with net cash of €0.93 million as at 31 December 2018. The application of the IFRS 16 accounting standard entailed the recognition by Group companies of financial liabilities for rights of use as at 30 September 2019 equal to €3.74 million, which, added to the net financial position, resulted in a post-IFRS 16 net cash position of €5.25 million.

With regard to liquidity, which totalled €24.93 million, the change is due to the net effect deriving from the liquidity generated during the nine months and from liquidity obtained after new loans were opened, net of payments of loan instalments and the use of the loan to support the current management and disbursements relating to investments made to support the various business areas. See also Cash flow on page 19.

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 2020.

## ***O – Changes in equity***

The share capital as at 30 September 2019 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 as at 30 September 2019 amounted to €1.78 million.

The share premium reserve, which relates entirely to the Parent Company, is shown at a total amount of €136.40 million.

The positive translation reserve of €16.15 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 item “other reserves” was negative for €58.28 million and consisted of the Parent Company's extraordinary reserve, formed by losses carried forward, allocations of retained earnings from prior years, and other miscellaneous reserves. The change in the year is attributable to the allocation of the 2018 results and to the booking of Eurotech's Performance Share Plan for the period described in a specific section of the 2018 Consolidated Financial Statements.

The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IAS 39, was negative for €73 thousand and decreased by €53 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 €5.87 thousand and increased by €1.94 million gross of the related tax effect, not yet recorded due to the absence of the prerequisites.

The Parent Company Eurotech S.p.A. held 783,020 treasury shares at the end of the reporting period (they were 887,020 as at 31 December 2018).

## ***P – 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/news>):

- 03/07/2019 Eurotech Announces Two New High Performance Ethernet Switches for HPEC Applications: DynaNET 10G-01 and DynaNET 100G-01
- 18/07/2019 Eurotech Integrates Infineon's TPM to Guarantee End-to-End Security from the IoT Edge Gateways to the Cloud
- 30/07/2019 Quadrant Knowledge Solutions acknowledges Eurotech market leader in the IIoT platform market for 2019
- 07/08/2019 Three directors resign
- 26/09/2019 Frost & Sullivan award Eurotech for its Embedded and IoT solutions for the railway market

30/09/2019 Eurotech carries Artificial Intelligence on board trains with its latest embedded and IoT technologies

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

### ***Q – 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/news>):

No other significant events took place after the three months ended.

### ***R – 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 2018 Consolidated Financial Statements, in which the risks to which the Eurotech Group is subject are explained.

### ***S – 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 15519/2005, there were no non-recurring economic components in the consolidated quarterly results as at 30 September 2019;
- pursuant to CONSOB communication no. DEM/6064296 of 28 July 2006, there were no atypical and/or unusual transactions carried out in the 2019 period;
- as at 30 September 2019 the company held 783,020 treasury shares for a total value of €1,839 thousand. The changes were as follows:

	No. of shares	Face value of a share (Thousand of Euro)	% share capital	Carrying value (Thousand of Euro)	Average unit value
<b>Status as at 1 January 2019</b>	<b>887,020</b>	<b>222</b>	<b>2.50%</b>	<b>2,083</b>	<b>2.35</b>
Purchases	-	-	0.00%	-	
Sales	-	-	0.00%	-	
Assignment-Performance share Plan	( 104,000)	( 26)	-0.29%	( 244)	2.35
<b>Status as at 30 September 2019</b>	<b>783,020</b>	<b>196</b>	<b>2.20%</b>	<b>1,839</b>	<b>2.35</b>

- 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 2019

On behalf of the Board of Directors

Signed Roberto Siagri  
Chief Executive Officer

## Declaration of the Financial Reporting Manager

Amaro, 13 November 2019

### DECLARATION

PURSUANT TO ARTICLE 154 BIS, PARAGRAPH 2 – PART IV, TITLE III, CHAPTER II, SECTION V-BIS, OF LEGISLATIVE DECREE 58 OF 24 FEBRUARY 1998: "CONSOLIDATED FINANCE ACT, PURSUANT TO ARTICLES 8 AND 21 OF LAW 52 OF 6 FEBRUARY 1996"

I, Sandro Barazza,

Financial Reporting Manager of Eurotech S.p.A., with reference to the Consolidated Interim Management Statement as at 30 September 2019 approved by the company's Board of Directors on 13 November 2019,

### 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 58 of 24 February 1998, to the best of my knowledge, the Consolidated Interim Management Statement as at 30 September 2019 corresponds to the accounting entries.

The Financial Reporting Manager  
Signed Sandro Barazza

