1INFO
DIGITAL
SIGN

Annual Report 2019

EUROTECH

Imagine. Build. Succeed.

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

The financial statements included in this document are unaudited.

Date of issue: 12 March 2020
This report is available online
in the 'Investors' section of
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

CONTENTS

Letter to shareholders

Dear Shareholders,

2019 closed with excellent results, of which we can be proud. All the economic and financial parameters reached record values: turnover exceeded the threshold of 100 million euros, Ebitda more than doubled compared to 2018, reaching an incidence on revenues of 20%, and - thanks also to the positive tax effects due to previous losses - we reached a net profit of 19.2 million euros. The excellent margins achieved in the period are the result of the fabless model adopted and therefore of the possibility of having a lot of operating leverage, which had already been seen in 2018 and which, as turnover increases, allows the first margin to be transformed into Ebitda with a minimum increase in operating costs.

The cash generation from operating activities net of investments also more than doubled in 2019 compared to 2018 and allowed us to bring the financial position to a net positive cash of €12.2 million, which without the effects of the new IFRS16 accounting principle would be €16.2 million. Moreover, we grew by reducing the ratio of net working capital to turnover, which fell from 20% in 2018 to 15%.

Although we have not imagined the recent evolution of the economic environment, in the year just ended we have in fact prepared ourselves on the financial side to better face both the opportunities and the threats that may arise this year on our route.

The year 2020 starts with many uncertainties on the world economy because of the fears of the Covid-19 pandemic. It is too early to draw any conclusions about how the year will develop and much will depend on the length of the restrictions on activities and on movement of people. As I write this letter to you, I can just assume that there will be negative impacts in the first and second quarters of the year.

If we can't do anything to change the scenario, we can still be agile and proactive in taking actions that can increase our resilience, and so this situation pushes us to look for customers with fast Time-To-Market. In this regard, the HPeC (High Performance edge Computer) product line lends itself well to the case as the type of early-adopter customers to whom it addresses feel the need to use these products as soon as possible to test their potential in research projects and pilot projects; in the Age of Autonomy to compete more there will be a need to compute more and the most visionary companies are already moving in that direction.

HPeC are therefore a product line on which we are focusing in this historical phase in which the Artificial Intelligence paradigm at the periphery is emerging strongly, creating the demand for a category of edge computers that is the mobile Data Center (the one we have renamed "nanoDC"). In this category Eurotech has a family of cutting-edge products: these are liquid-cooled miniaturized super computers that replicate the capabilities of a Data Center in a tenth of space and that can operate under stressful conditions. These nanoDCs are used for example to run demanding Artificial Intelligence algorithms (known as deep-learning algorithms) in the research for the fully autonomous level 5 car. In addition to applications in autonomous driving these HPeCs are now being evaluated for applications in the field of collaborative robotics for the factory of the future, where robots will need to be context-aware and work in symbiosis with humans.

Revenues pertaining to the Internet of Things (IoT) sector continued to grow in 2019, but above all we secured important new references from clients who chose our IoT platform and our IoT gateways to digitize their assets. At this stage, when the majority of the industrial IoT market concerns projects to connect existing assets – the so-called brownfield - our hybrid positioning between Operational Technology (OT) and Information Technology (IT) and our offer of integrated hardware and software give us an edge over players offering only hardware or only software.

Our position among the technology leaders in the Industrial IoT landscape is increasingly visible, as evidenced by the recent award given by Frost&Sullivan to our IoT platform Everyware Cloud. Eurotech is among the 30 of the more than 400 analyzed companies admitted to the "Growth, Innovation & Leadership Frost Radar" for their ability to "consistently develop new growth strategies based on a visionary understanding of the future".

We expect to continue to accelerate growth in IoT in 2020, with more and more customers starting to move from the POC (Proof Of Concept) or pilot implementation phase to the mass production phase, all to the benefit of the growth in sales and margins of this business line.

During 2019, the Group continued its strategy of investing in product portfolio innovation, both in hardware and software. The investments aim to give continuous improvements to the three product lines: the traditional Embedded PC line, the High Performance edge Computers line and the Industrial IoT line. These investments serve to keep Eurotech among the technological leaders within the Edge Computing paradigm, which is born from the convergence between OT and IT and is the natural evolution of embedded computers driven by the pervasive availability of internet connectivity, the demand for cybersecurity typical of always online devices and the paradigm of distribution of intelligence on multiple levels, both at the centre and at the periphery. This new category of computers includes IoT gateways and high-performance edge computers, while software platforms for IoT are the bridge to exchange data from the periphery to the centre and vice versa. All these developments are taking us fully into the new era of digital transformation and more precisely into the Age of Autonomy, in which investment in Industry 4.0 will flourish.

The current trend is clear and demonstrates the need for companies to invest in digitalisation. Digitalisation not only enables more efficient and less wasteful processes, but it is also the basis for the transformation of companies' business models from linear to circular. This transformation is the basis of a new phase of capitalism that is highly sustainable and will also mark the transition from the product economy to the service economy. The digitization of all things requires IoT, and the data produced by IoT feeds Artificial Intelligence. Eurotech has in its portfolio the basic HW and SW components that allow to face the ongoing transformation with low initial investments and strong and credible responses on cybersecurity, which according to many studies is the first blocking factor for Industrial IoT projects.

Despite the short-term negative effects of Covid-19, I expect companies to continue to invest in their digital transformation in 2020. Incidentally, it is precisely in times of crisis such as those we are experiencing in this period that it is digitalisation that can support remote working and if factories were more digitalised and automated, the Covid-19 crisis would have been even easier to deal with.

In order to become more and more technology and market leaders in the ongoing transformation we continue to expand our ecosystem of both technology partners and system integrators. In this way it will be easier to reach a wider base of customers and give them an increasingly complete offering, keeping both our focus and that of our partners. Eurotech's portfolio of technology components for Industry 4.0 has been designed to be modular in order to enable the activation of these ecosystems, even with companies that in the past were only direct competitors. In this regard, the open-source model adopted in building the software components for IoT is highly appreciated and is a catalyst for the ecosystem approach. We have thus moved from competition to co-opetition, with greater benefits for all.

In summary, 2019 continued to demonstrate that the efforts made in innovating our product portfolio have not only begun to bear fruit, but are also positioning Eurotech among the market leaders in Industry 4.0 and digital business transformation. The IoT and AI markets in the industrial sector are only just beginning to emerge and we are only seeing the tip of a very large iceberg in economic terms.

To conclude, having adopted an open innovation model for software components and a mostly fabless production model for hardware components makes us lean and allows us to have an organization that can scale the size of the business in a more agile way. Many challenges remain to be overcome, which are those I mentioned last year as well, namely the full activation of new service models with recurring revenues, the expansion of the ecosystem of partners and the search for new human resources with the appropriate technical skills.

I am convinced that Eurotech has what it takes to face the coming years with optimism, now more than ever, given the important customers who have chosen our technologies and who are confirming the validity of the investments made and the comeback on cash generation at the expected levels.

2020 will be a year of transition due to the current events, which are likely to slow down our pace in the short term but should also create more opportunities in the medium and long term since digital transformation is the best antidote for companies to recover profitability: with a metaphor we can say that the safety car has appeared on the track of the world economy, but the competitive potential of the Eurotech machine remains unchanged.

13 March 2020

The Chief Executive Officer
signed Roberto Siagri

Profile of the Eurotech Group

Introduction to Eurotech

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: (1) miniaturisation of 'smart' devices, i.e. devices capable of processing information; (2) their spread in the real world – inside buildings and equipment, on board vehicles, worn by people, and disseminated in the environment; and (3) their ability to connect and communicate with each other in a network.

In this perspective, Eurotech carries out research and development activities aimed towards the production and sale of high capacity, low consumption miniaturized computers that are easily connected together and to the "cloud" through the new Internet of Things (IoT) paradigm.

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

- base components: electronic processing and communication boards of varying proprietary and standard form factors (PC/104, Com-Express, VME, CompactPCI, etc.);
- high and very high performance, low energy consumption processing and communication sub-systems for fixed and mobile applications, made from base components and third-party components (product lines: BoltMAR, BoltCOR, DynaCOR, etc.);
- ready to use devices and sensors made from components and subsystems with integrated specific software (product lines: ReliaGATE and DynaGATE for IoT Gateways, the BoltGATE line for Edge Computers, and as for smart sensors, the PCN and the ReliaSENS);
- software for cloud-integration of base component, subsystems and devices: Everyware Software Framework (ESF) on the Operational Technology (OT) side and Everyware Cloud software platform on the Information Technology (IT) side;
- solution design and product customization services to simplify the integration of our offering into customer's products.

Eurotech offerings can be used for multiple applications, both traditional and those 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 also 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 offerings is to reduce Time-To-Market and Total Cost of Ownership for our customers so that they can concentrate on 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 Edge computing paradigm is revitalising both the traditional embedded computer sector as well as the High Performance Computer (HPC) sector. More and more embedded computers will be in demand at the periphery, provided that they are connected to the cloud and this connection will be guaranteed by IoT software platforms. Eurotech, a step ahead of the market, developed an IoT platform for industrial IoT, marketed as the Everyware Cloud and thanks to the open innovation model adopted for its development, is becoming a de-facto standard.

Regarding HPCs, these instead must be re-shaped: they must start being miniaturised the way that personal computers were miniaturised in the 1990s, in order to be used at the "periphery". The HPC moves therefore from the computing centres to the HPCs at the "periphery", now known as HPECs (High Performance Edge Computers). Thanks to the know-how acquired throughout HPC development and the design of HPC hot liquid, low pressure cooling, Eurotech is one of just a handful of companies that is able to offer very compact HPECs that can be used in very small spaces, such as in mobile applications like self-driving vehicles or in the field like in collaborative robots.

Since its foundation in 1992, Eurotech has focused its development on four guiding principles, which over the years have supported and continue to support growth and adaptation to new market demand:
- fabless production model
- innovation for future sustainability
- excellence within market standards
- products that are always more interconnectable and easier to use.

Eurotech from the beginning adopted a fabless production model, characterised by a near total absence of production facilities. Along the value chain Eurotech is responsible for the research, development, engineering and marketing of products, delegating almost entirely production in outsourcing to contract manufacturers chosen each time based on market demands, complexity, and the production volumes of the product.

In order to excel and guarantee our customers a greater competitive advantage, an incremental and disruptive innovation system was activated, one that can both develop current products and intercept new, latent requests not yet manifested by the market. Beyond its internal research activities Eurotech has established external ties with Universities and Research Institutes to create a "knowledge network" meant to feed innovation and is a contributing factor in maintaining Eurotech's position as technological leader.

Eurotech has always aimed at excelling within industry standards. It understands that in order to provide its customers with solutions that perform and are open to the future, excellence cannot be achieved exclusively through proprietary solutions, but as much as possible with state-of-the-art solutions that adhere to existing standards and when not present, that contribute to the creation of such standards, as we have achieved in the Internet of Things (MQTT protocol and the Kura and Kapua open source projects).

Finally, for the company's sustainability and business 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 internet and which also enable recurring revenue business models to be pursued, thanks to IoT.

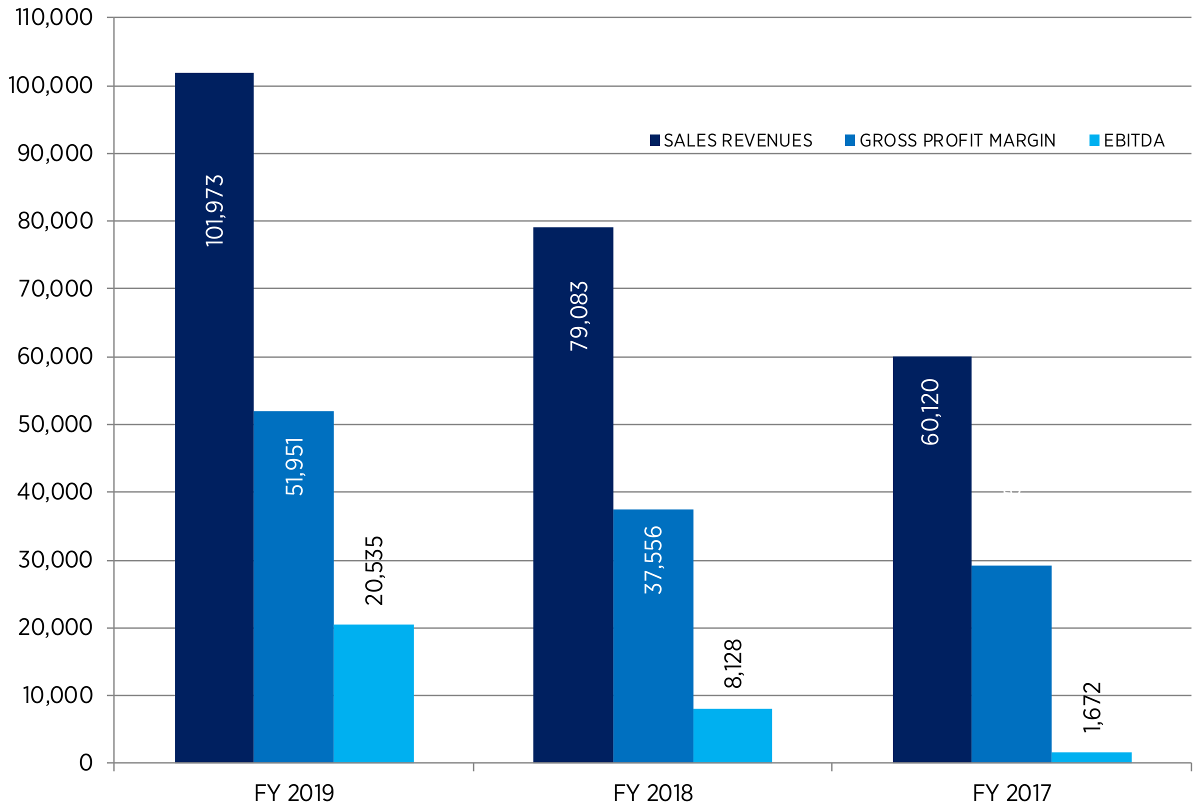
The Eurotech Group in numbers

Introduction

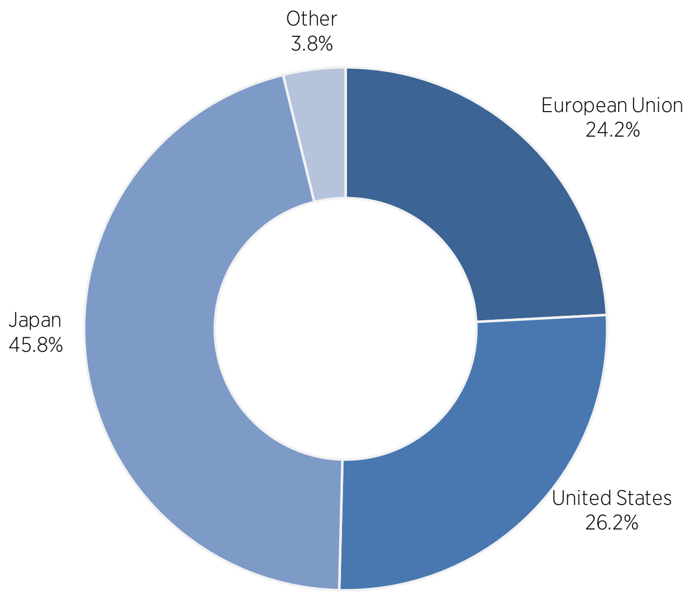
The Eurotech Group's business and financial results for FY2019 and comparative periods have been drawn up according to the International Accounting and Financial Reporting Standards (IASs/IFRSs) issued by the International Accounting Standards Board and endorsed by the European Union. Unless otherwise stated, data are expressed in thousands of euro.

Group business and financial results

(€'000)	FY 2019	%	FY 2018	%	FY 2017	%
OPERATING RESULTS						
SALES REVENUES	101,973	100.0%	79,083	100.0%	60,120	100.0%
GROSS PROFIT MARGIN	51,951	50.9%	37,556	47.5%	29,135	48.5%
EBITDA	20,535	20.1%	8,128	10.3%	1,672	2.8%
EBIT	16,611	16.3%	5,844	7.4%	(2,985)	-5.0%
PROFIT (LOSS) BEFORE TAXES	16,125	15.8%	5,624	7.1%	(4,561)	-7.6%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	19,242	18.9%	5,682	7.2%	(4,672)	-7.8%



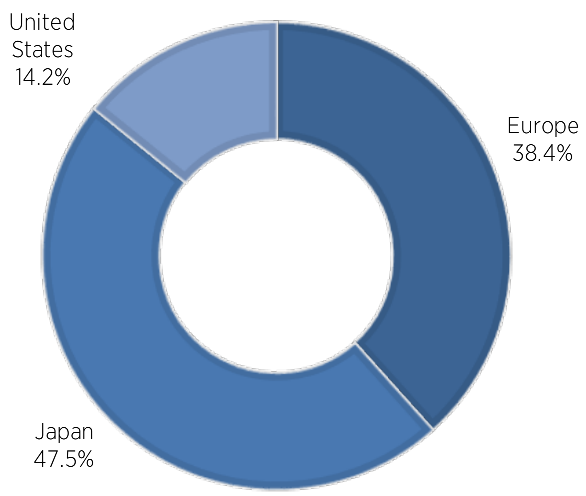
2019 sales revenues by Customers' geographical location



Group employees

	at December 31, 2019	at December 31, 2018	at December 31, 2017	at December 31, 2016
EMPLOYEES	318	302	294	321

2019 breakdown of employees by geographical area



Milestones in our history

1992-1994: the 'ideas factory'

1992 A group of young technicians found EuroTech s.r.l., based on the idea of miniaturising the PC and using it in as yet unexplored application fields. It is an 'ideas factory' and 'fabless' model, open to Europe – and to the world – (Euro) and to new technologies (Tech).

1993 The first products based on the PC/104 standard for embedded PCs are developed.

1994 Friulia S.p.A., a development finance company owned by the Friuli-Venezia-Giulia regional authorities, buys into the company by subscribing to a capital increase.

1995-2000: from laboratory to industry

1995 Eurotech becomes the first producer in the world to launch on the market a PC/104 module based on the Intel 32-bit 486DX processor.

1997 Start of the internationalisation strategy's implementation via the first partnerships with European distributors.

Eurotech creates one of the world's first 3U boards based on the Intel Pentium processor and compactPCI platform.

The HQ is moved to Amaro (Udine) and the company becomes a joint-stock company (S.p.A.).

1998 Eurotech completes the range of products based on the compactPCI standard and starts production of a new line based on the PC/104Plus standard.

The company Neuricam S.p.A. is set up, a spin-off of the Trento institute for scientific and technological research (IRST). The aim is to design and produce integrated circuits capable of complex image elaboration directly on chips, thus providing neural processors, CMOS digital cameras, and intelligent sensors.

The internationalisation strategy continues with the start of sales in the US, Asia and Australia.

1999 Activity of the HPC (High Performance Computers) Strategic Business Unit (SBU) starts with creation of APEmille supercomputers. Designed by the INFN (the Italian national institute of nuclear physics), this was the result of the APE (Array Processor Experiment) project, which aimed to develop a computer capable of processing 1,000 billion operations per second (1 TeraOps).

2000 The US commercial branch is set up.

Launch on the HPC market of clusters based on compactPCI systems.

2001-2007: external growth and internationalisation

2001 The venture capital fund First Gen-e of Meliorbanca Spa and Friulia, as merchant bank, become shareholders of Eurotech following a capital increase.

Development starts of the new generation of APEnext HPCs.

2002 Acquisition of IPS S.r.l. of Varese, permitting extension of the product offering to the industrial sector.

2003 Acquisition of Parvus of Salt Lake City (Utah) is completed in order to consolidate and expand the presence in the US.

2004 Eurotech acquires French company Erim (now Eurotech France S.a.s.), thus entering what is a strategic market for the Group.

2005 On 30 November, Eurotech S.p.A., the Parent Company of the Eurotech Group, is listed in the STAR (Segment for High Requirement Stocks) of the Milan stock market. The total number of shares on offer was 8,652,000; of these 7,450,000 were new shares, while 1,202,000 were existing shares put up for sale by the venture capital fund First Gen-e, which ceased to be a shareholder at the time of listing. The remaining 1,297,992 shares owned by First Gen-e prior to the IPO go to form the green shoe, wholly exercised in view of the very high subscription rate of investors. At the end of the IPO, the total number of shares rose to 18,625,296 and the net proceeds of the capital increase came to €25.3 million.

2006 Acquisition is completed of the Arcom Group, consisting of 100% of the share capital of the companies Arcom Control Systems Ltd. based in the UK (Cambridge) and Arcom Control Systems Inc. based in the US (Kansas City).

In June, Eurotech's Board of Directors decides to increase share capital by issuing ordinary shares for a total value of €109.2 million.

Eurotech invests in the UGV (Unmanned Ground Vehicles) sector, subscribing to some 20% of the share capital of US company Kairos Autonomi. The company, active in the research and development of integrated systems for driverless vehicles, is headed by George (Troy) A. Takach Jr., who founded Parvus.

2007 Eurotech completes acquisition of Applied Data Systems, Inc. ("ADS") (now Eurotech Inc. after the merger with Arcom Control Systems Inc.), based in Maryland (US). Through this acquisition, Eurotech also receives 65% of the equity of Chengdu Vantron Technology Ltd, a Chinese R&D company operating in the NanoPC sector.

Eurotech unveils Janus, the world's first computing platform capable of achieving the astounding number of 8 PetaOps, i.e. 8 million billion operations per second.

Eurotech announces completion of the acquisition of 65% of the shares of Advanet, a Japanese company based in Okayama, and its subsidiaries Spirit 21, Vantec and Advanet R&D (together, the "Advanet Group"). The purchase agreement also provided for a put & call mechanism for the remaining 35% of the shares of Advanet that was exercised in 2010/2011.

2008-2010: integration and synergies

2008 The innovative Catalyst Module is created, based on the brand new Intel® Atom™ processor.

On 1 July, the merger between the US subsidiaries Applied Data Systems and Arcom is completed and Eurotech Inc. is officially created. This is a key step in the process of integration of the Eurotech Group after the major acquisitions carried out in the previous two years.

To strengthen the strategic partnership initiated in July 2006, in November Leonardo S.p.A. (formerly Finmeccanica S.p.A.) concludes the acquisition of 11.1% of the Share Capital of Eurotech.

Eurotech and Intel initiated a joint venture to develop HPC systems based on Intel processors that will satisfy the computing requirements of medical, industrial and scientific users.

2009 Eurotech joins PROSPECT e.V. as a member (PROmotion of Supercomputing and PEtaComputing Technologies), a leading European consortium for the development and use of next-generation supercomputers, headed by three institutions that are also among the biggest

European supercomputer: the Jülich Supercomputing Centre, the Barcelona Supercomputing Centre and the Leibniz-Rechenzentrum Garching.

Eurotech joins the United Nations Global Compact.

2010 Eurotech announces the introduction of Aurora Au-5600, the "green" supercomputer with liquid cooling, based on the cutting edge Intel® Xeon® 5600 processor.

Eurotech signs a USD 7.5 million contract in the US with King County Metro Transit to install DurMAR Mobile Access Routers in more than 1,000 buses in the Seattle area.

Eurotech obtains a USD 10 million contract to supply embedded computers for electronic ticketing systems from Cubic Transportation, the global leader in supplying complete solutions for managing the automatic payment of public transportation tickets.

Eurotech exercises the scheduled option to purchase another 25% of the Advanet Inc. capital and thus has 90% of the Japanese subsidiary.

Eurotech becomes Solution Technology Integrator for Cisco, thus getting access to technological and commercial resources of the American giant.

2011-today: towards the Internet of Things

2011 The ESF platform (Everyware™ Software Framework) by Eurotech is used in the reference designs for Machine-to-Machine (M2M) gateways based on Intel® Atom™ processes to significantly reduce the development cycle of applications and services based on the connection between devices. The reference platform for the M2M gateway, based on Intel® Atom™ with Wind River Linux and Everyware Software Framework by Eurotech, allow developers to implement new services more quickly, easily and economically.

Eurotech acquires the remaining shares of Advanet Inc, equal to 10% of the share capital, and thus obtains 100% of the Japanese subsidiary.

Starting on 1 June, Dynatem Inc becomes part of the group, with registered offices in Mission Viejo, California.

Mondialpol Service S.p.A., the national operator in Italy of cash transport and counting services for Intesa Sanpaolo, decides to monitor activities in real time through cloud-ready equipment from Eurotech with cloud computing data management.

Eurotech and IBM donate the Message Queuing Telemetry Transport (MQTT) protocol to the Open Source Eclipse Foundation community with the declared intent of creating a new standard for the connectivity of the Internet of Things. Just like the HyperText Transfer Protocol (HTTP) allowed open communication through the Internet, the creation of an open messaging protocol can have the same impact on creating distributed intelligent systems. In this sense, the MQTT technology can represent the missing link necessary to inaugurate a new level of accessibility and connectivity between the systems in addition to allowing the creation of next generation Machine-to-Machine (M2M) solutions.

2012 Eurotech launched version 2.0 of its Everyware Cloud™. This cloud-based M2M platform is a base for transmission and management of M2M data in an industrial, logistical and transport context.

Eurotech unveiled the new gateway, industrial grade multi-service family designed to enable M2M applications in a broad variety of environments. Based on the Intel® Atom™ processor, it delivers communications, computation power, a middleware application framework and an integration platform for rapid implementation and immediate activation of M2M services.

2013 Eurotech expands distribution agreement with Avnet Electronics Marketing in North America to include M2M platform.

RTX, a provider of Internet Protocol (IP) based low-power wireless communication solutions, signs a partnership with Eurotech to help customers connect devices to the cloud and send data.

On 1 October Eurotech announces that it signed with Curtiss-Wright Controls, Inc. – a segment of Curtiss-Wright Corporation – for the sale of 100% of the share capital of Parvus Corporation, the American fully-owned subsidiary of the Eurotech Group specialised in embedded computers and COTS subsystems for the US Defence market. The consideration for the transaction has been set by the parties at USD 38 million (equal to approx. €28.1 million at current exchange rates), net debt free.

2014 Eurotech achieves the qualification of "Partner" supplier from John Deere in its "Achieving Excellence" programme. It is the highest supplier classification level.

Eurotech announces DynaCOR 30-10, the new Core i7 fanless rack mount computer ideal for critical environments.

Eurotech announces a new range of products IoT/M2M: the embedded module Catalyst BT, a native IoT/M2M module that supports the Eurotech scalable Everyware Device Cloud platform, also compatible with ESF (Everyware Software Framework); the rugged ReliaCELL cellular module specially designed for being integrated with multi-service gateways to ensure fast and highly reliable cellular connectivity in M2M applications; the ReliaSENS 18-12 environmental monitoring system connected to the cloud and equipped with high precision sensors to measure air pollution, with access to data in real time and the ReliaGATE 15-10 multi-service gateway for M2M applications, a sturdy and reliable gateway and edge controller for aggregating, processing and transferring data, ideal for M2M applications.

Everyware Software Framework (ESF) joins the Intel Software Stack for the Internet of Things (IoT), thus completing the validation of Everyware Software Framework (ESF) on the Intel® Gateway Solutions for the Internet of Things (IoT). By using ESF on devices and at the nodes of the sensor networks, the device and data management functions can be accessed via open, standard-based solutions to get maximum flexibility in the Internet of things and in the Machine-to-Machine (M2M) solutions.

Eurotech shares the open standard application framework for gateways designed for M2M services with the Eclipse community through the Eclipse Kura project, an open source incubator whose purpose is to implement an OSGi (Open Service Gateway initiative) container for M2M applications on services gateways.

Eurotech becomes Red Hat ISV Advanced Partner. The collaboration fortifies the offer of IT technologies available to M2M/IoT applications. Eurotech is extending its ecosystem on a global scale and is establishing new relationships with partners that share the same technological vision and propensity to innovate. This agreement opens up new opportunities in the vertical markets in which the Red Hat solutions play an important role and broadens the field of action of today's software technology.

2015 The collaboration agreement between Eurotech and InVMA Limited, a company specialised in the IoT and M2M field, offers the chance to combine capabilities and experience necessary for supplying customers a complete IoT/M2M solution that ranges from sensors and smart gateways to the Eurotech EC (Everyware Cloud) platform and highly flexible applications for any sector.

Eurotech and WebRatio announce the strengthening of their technological collaboration to develop Internet of Things (IoT) applications on the Enterprise level by integrating the complexity of the M2M/IoT operating technologies in a simple to use and simple to integrate Platform-as-a-Service (PaaS).

Collaboration between iNebula and Eurotech for emerging iNebula Connect, the first cloud service that offers a distributed and secure platform designed to support "smart objects", collect data, archive them and distribute them in a smart way with high value application workloads and to perform real time analyses.

Eurotech installs the Booster system to complete the installation of the DEEP system at the Jülich Supercomputing Centre (JSC), which started at the end of 2012 when the Cluster was put into operation.

Eurotech M2M technology is selected for interconnecting Ariston Thermo Group products. In this project, Eurotech provides Ariston Thermo Group with its technologies and expertise in M2M to consolidate the role of Ariston Thermo Group in the new Internet of Things paradigm, and in fact it is entering the big Italian industrial world with a flexible, scalable solution featuring an intuitive interface, with an immediate advantage not only for the end customer, but for service people and Ariston Thermo as well, which is in this way enabled to follow its product in real time starting from its very entry on the market.

The partnership agreement with Arkessa, global supplier of multi-network cellular connectivity, has the aim to deploy the best IoT solutions on a global scale. The integration between Everyware Cloud, the Eurotech platform for Device & Data Management, and the Arkessa connectivity management platform finally gives customers a single solution for managing their connected assets while exceptionally simplifying the implementation of IoT projects.

2016 Red Hat, Inc. and Eurotech announced a collaboration to simplify IoT integration and accelerate implementations of IoT projects. Red Hat and Eurotech have combined their complementary technologies with the intention of building an end-to-end architecture for IoT that will seek to bridge the gap between operational technology (OT) and information technology (IT).

Eurotech has signed a partnership agreement with Hitachi High-Technologies Europe GmbH (Hitachi High-Tech Europe), a subsidiary of Hitachi High-Technologies Corporation (Hitachi High-Tech, TSE:8036) with an emphasis on creativity and cutting-edge technology. The focus is on valuable industrial equipment and solutions that contain motors, compressors, generators and transmission systems that are found, as an example, in manufacturing machines and wind turbine systems.

In April Eurotech subscribed to a contract with King County Metro Transit to deliver its mobile access router to buses in the greater-Seattle area.

In June, the Company joined Dell IoT Solutions Partner Program as Associate Partner.

Red Hat and Eurotech announced the launch of a new, open source Eclipse Foundation project to manage IoT edge devices, from connectivity and configuration to application lifecycle. The co-sponsored project, Eclipse Kapua, combines with the existing Eclipse Kura project to offer IoT developers and end users an open platform for end-to-end IoT implementations, helping them to avoid costly, proprietary lock-in and accelerate community-driven development. In October they announced the availability of the first code contribution for Eclipse Kapua, a modular platform providing the services required to manage IoT gateways and smart edge devices.

Eurotech has signed an Indirect Solutions Technology Integrator (STI) agreement with Cisco. This agreement enables Eurotech to offer purpose-built devices, like industrial or transportation grade gateway systems, together with Cisco software worldwide.

2017 Eurotech onboards VMWARE technology for its own IoT systems, thereby allowing for improved assignment of the processing resources for a more efficient and deterministic environment for high performance industrial applications. This was the beginning of the collaboration between the two companies, which will continue to work together to integrate state of the art monitoring and management of near field nodes.

Fresenius Medical Care, a world renowned leader of products for dialysis and individuals with chronic kidney disease, chose the Eurotech IoT Gateway and the integration platform as the main components, in terms of both hardware and software, of its IoT project for connecting the medical devices it distributes globally.

Eurotech technology enters the autonomous driving sector with its “Aurora Hive” hot liquid cooled supercomputer.

2018 Eurotech is expanding its ecosystem with a hybrid collaboration-competition approach, and has signed two partnership agreements, one with AAEON Technology Europe BV to incorporate the device and ESF (Everywhere Software Framework) data management platform into the AAEON gateways for the industrial IoT, and the other with Software AG to combine the Cumulocity IoT platform with the ESF platform of Eurotech.

Eurotech continues to strengthen its open source strategy, creating a team with Cloudera and Red Hat to provide an open, modular multi-cloud architecture, with native security functions to enable scalable, safe device management and analytical end-to-end projects from the edge to the cloud. The architecture was built on the basis of the innovative open source projects launched and supported by the three companies in the Eclipse and Apache foundations. By creating a bridge between OT and IT, this open source architecture can help deal with the critical aspects of managing an IoT infrastructure.

Eurotech has added to its ecosystem strategy by becoming a member of the ITxPT, the Information Technology Association for Public Transport, whose mission is to implement European operating standards for the IT systems and components envisaged for public transport that are plug-and-play.

DB Cargo AG, the goods transport division of the German railway company Deutsche Bahn AG, chose the Edge Controllers and the IoT products and services of Eurotech for the TechLOK project, which aims to enable the remote monitoring of the DB Cargo railway engine fleet in real time.

2019 Eurotech and Horsa - a leading ICT group with experience in enterprise IT solutions - become partners to provide advanced Industrial IoT and Edge Analytics solutions: Eurotech's experience in Operational Technology (OT) and Horsa's expertise in advanced analytics and IT applications will enable end-users to adopt innovative business models through the implementation of Manufacturing Execution Systems (MES) that combine machine learning in the field with advanced software and IT solutions to build an open, integrated and flexible IoT infrastructure.

Eurotech brings the benefits of hyper-convergence beyond data centers by bringing VMware's ESXi/vSphere software on board its BoltCOR edge servers. Mimi Spier, VMware's VP Internet of Things, said: "In the context of this trend towards edge computing, we are thrilled, that Eurotech offers systems that employ VMware virtualization and IoT technology, products and experience, taking it from its regular role in the data center or cloud and leveraging its benefits also at the edge closer to where data from things reside and processing will be necessary of the network infrastructure."

Thales chooses Eurotech France as supplier of embedded hardware and IoT software for the "CAVE" "Automatic Passenger Counting" system of the new metro lines 15, 16 and 17 of the Grand Paris Express project. In addition to using Eurotech's DynaPCN passenger counting system, the solution is based on ESF for on-board software for data collection and remote configuration, and Everyware Cloud for ground software, to allow the end customer to securely access passenger counting information and use this data internally or share it externally.

Eurotech announces that it has been ranked by Quadrant Knowledge Solutions as one of the market leaders in the Industrial Internet of Things (IIoT) with its Edge-to-Cloud Everyware IoT platform due to its transversal range of IIoT solutions, its OT (Operational Technology) oriented approach and deep industry knowledge.

Dynatem is re-focused to specialize in the design and manufacture of rugged COTS-based boards and systems for use in defense and aerospace applications. As a Qualified Small Business supplier of systems and engineering services to the defense and aerospace market, Dynatem will operate as an independent business unit within Eurotech Inc..

Frost&Sullivan awards Eurotech with the "2019 European Competitive Strategy Innovation and Leadership Award" following the results of the analysis of the European market for Internet of Things (IoT) solutions in the rail systems market. Frost & Sullivan said: " As an end-to-end solution provider of hardware, software, and cloud platforms in the same package, Eurotech's implementation speed sets it apart from competitors. Its future-proof technologies, strategic partnerships, and customer centricity have given it a distinct competitive edge and positioned it for continued growth in the future".

Eurotech obtains Microsoft Azure IoT certification for its Multi-service IoT Edge Gateways, further demonstrating the ability to adopt a co-opetition approach to facilitate customers in the implementation of IoT projects with integrated and certified hardware and software solutions.

Eurotech is nominated by PAC RADAR (teknowlogy Group) as "Best in Class" supplier in the "IoT Platforms based on Open Source" category. Analysts have appreciated Eurotech's strong commitment to open source IoT solutions as well as numerous positive customer reviews across Europe.

Eurotech enters into a partnership with Retelit, a leading Italian operator in the field of services for digital transformation, for the creation of an integrated system of applications and infrastructures to implement connected-things projects. The idea behind the partnership is to offer Eurotech's Everyware IoT platform to companies through Retelit's Multicloud marketplace.

Vision

Computers will be increasingly miniaturised and interconnected. They will merge with the surroundings of everyday life until they become indistinguishable from them, to improve our sensorial and perceptive capabilities.

If we look at the progress of computing technology, it is not difficult to see a clear meta-trend; a movement from a computer for many people (the mainframe computer) to a computer for just one person (the personal computer) and, lastly, to many interconnected computers for everyone (e.g. smartphones, e-books, tablets, satellite navigators, multi-media kiosks, digital cameras, Wi-Fi routers, smart tags, ATMs, etc.). The computers of yesterday filled entire rooms due to their size; the computers of tomorrow will 'fill' entire rooms 'invisibly' due to their number. We will no longer use computers as distinct devices: they will be sophisticated elements that give us the means to augment external reality and our comprehensive presence on the network and through the Cloud. Progress will be such that we will no longer see computers as computers, but as an integral part of our world, as an extension of ourselves. This is what we mean when we talk about the disappearance or invisibility of computers: they will become a part of our surroundings and will escape our attention.

All of us can see that there are computers in telephones, household appliances, machinery, cars and in a host of devices and equipment used daily. This ubiquitous presence is not, however, enough. We must not simply make our devices more intelligent or more powerful from the point of view of computation – we have to give them the ability to "perceive" the world. The pervasive computing grid that we now call the Cloud must be fuelled by data from the real world, and the network of wireless sensors is the missing link. When this gap has been bridged, we will finally have an extension of our five senses. We will be able to virtually extend ourselves, going from a human body with good computing power but weak sensors to a "hyperbody" with a wealth of sensors and outstanding computing power.

"It will be a time when all human beings on our planet will be able to eloquently communicate with ubiquitous and smart technological systems, and use them on a daily basis to resolve a vast number of real and concrete human problems." (John Smart, founder and chairman of the Acceleration Studies Foundation)

"We will have true reality amplified. Computers will look at what you look at, will listen to what you say, and will be helpful. So, if you look at someone, little pop-ups will appear in your field of vision, reminding you who it is, giving you information about him, and reminding you that his birthday is next Tuesday." (Ray Kurzweil, American inventor and futurist)

Mission

Integrate the state of the art of computing and communication technologies to develop innovative applications, able provide a competitive advantage to our customers.
Improve everyday life, making it simpler, safer and more pleasant through the ubiquitous and pervasive use of technology.

"The purpose of a computer is to help you do something else". This memorable quote from Mark Weiser sums up the essence of the usefulness for human beings of the spread of miniaturised and interconnected computers throughout our surroundings.
We see this as a means of relieving man from risky, tiring, distasteful or simply boring activities. We like to give our work an aim that preserves and encapsulates a natural attention to the human and social dimension.

"Invisible computers should help us to free our minds of unessential activities so as to reconnect us to the fundamental challenges that humans have always had: understanding the universe and our place within it." (Mark Weiser, former head researcher at Xerox PARC)

"It is no longer about computers. It is about life." (Nicholas Negroponte, co-founder of MediaLab at MIT and the magazine WIRED)

The pervasiveness and ubiquity of miniaturised and interconnected computers means that it is no longer a matter of computers – in terms of objects or tools – but is increasingly a matter relating to everyday life.
The opportunity that computers provide to amplify our senses and reality lets us look at the world from a new angle.
Currently existing technologies can really change the man/computer relationship, making their co-existence increasingly symbiotic. Thanks to digital technologies, humans will be able to increase their potential without sacrificing their security and quality of life. The more integrated digital technologies are in everyday life, the more effective digital technologies will be.

Values

Social responsibility is essential for the entire Eurotech Group.
Our objective has always been to combine competitiveness and honesty. In pursuing growth, innovation and business results, we also dedicate the utmost attention to promoting quality of life, employment standards and human rights. We are also very attentive to the environment in which we operate and we work on the basis of objectives indicated by international conventions on sustainable development. For this reason, we support the United Nations Global Compact, the world's largest sustainability and corporate citizenship initiative.

"A school can be founded on a group of theories, but a culture, a civilisation, a new way to live together among men can be founded on a group of values."
(Ignazio Silone, Italian writer and politician)

Besides aiming for ongoing reinforcement of structural capital, we work very hard on developing human, relational and social capital. We do so because we consider it an investment fundamental for assuring competitiveness, stability and longevity for the entire Group.

This commitment is reflected in the policies and attitudes of our management, which encourages creativity and innovation and adopts operating approaches based on the ethics of relations.
We place great importance on the quality of our management team, with the aim of aiding communication, the exchange of ideas and creation of a strong Group identity.

"A man without ideals is like a ship without a rudder"
(Mahatma Gandhi)

We invest in people, in enhancement of their "key" skills, and in their continuous training and development. We cultivate and champion creation of a work environment based on reciprocal respect and trust and on the safeguarding of health and safety in the workplace.

We believe our tasks include that of assuring all workers the same job and professional opportunities, and equitable treatment based on merit.
In Eurotech, we also want to give the right space to all those people who have ideas, passion, and determination.
We recognise and encourage development of each employee's ability together with teamwork, so that the energy and creativity of individuals is fully expressed in achievement of shared, group-wide successes.

Business model

The four key elements of the Eurotech model

Even before creating Eurotech, its founders had it clear in their minds that – to compete successfully in such an effervescent market as that of embedded computers in the 1990s – it was vitally important to manage to emerge. To be able to embark on a growth course, Eurotech had to get out of the scrum very fast indeed. And it had to do so without needing huge initial capital. This was why, right from the start, focusing on excellence seemed to be the key to standing out from the crowd, disposing of great intellectual capital but of little economic capital.

For Eurotech this term – excellence – meant a combination of innovation and quality. But that combination as such was not enough. What was needed was an even more distinctive connotation of excellence, one that, above all, worked as well as possible for achievement of sound growth. Because of this, it was immediately clear to everyone that excellence had to be sought remaining within sector standards.

Given this, instead of investing in proprietary or totally customised solutions, Eurotech immediately believed in the standards' strength as a launch pad to project the entire company into the future. The founders had understood from the very outset that it was not enough to give customers high-performance products. Those products also had to be open to the future evolution of technology – which looked set to be overwhelming – whilst also saving on investments in software, which are the largest part of any implementation. Standards could therefore permit innovation based on continuity, endowing products with the prospect of compatibility with future discoveries without having to rewrite the software application from scratch. Although retaining the ability and skills to develop customised solutions for special uses or customers, Eurotech chose right from the start to seek excellence with solutions representing the state of the art of the most universally recognised standards.

Today, Eurotech, partly due to its policy of acquiring complementary companies, not only covers all the main electrical and mechanical reference standards for the embedded market (PC/104, PC/104plus, cPCI, cPCI Express, VME, VPX, EPIC, EBX, COM Express and PMC), but also has a multi-platform offering, as it is able to supply modules and processor boards with x86, PowerPC and ARM architecture.

The second important choice immediately made – and one which has turned out be a winner – was to be an "ideas factory" without a "machinery factory". This is an approach called "fabless". This means that Eurotech has no mass production plants or facilities. Within the value chain, the Eurotech Group carries out research, development, engineering and prototyping, quality control and logistics. In NanoPCs, therefore, the production divisions produce only prototypes, small series and a part of the product assembly and testing when volumes mean that outsourcing is not financially expedient. For HPCs, production of boards and mechanical parts is carried out externally, while final assembly, testing and burn-in are carried out in-house.

After the acquisition of Advanet, the Group also has a small amount of production capacity, which, however, does not exceed 15% of total capacity and is focused on high-end products. The Group thus continues to keep limited in-house production capacity for low-volume production, prototypes and any strategic works. Mass production is nearly all outsourced to contract manufacturers, who then send the products to Group's various companies for final functional testing and quality control.

The third key element of Eurotech's model is constant monitoring of systems integration and the dynamics of the value chain.

In the 1980s, the value chain for products based on digital technologies was very long: creating a complete system required numerous and individually specialised parts, and every section of the value chain required specific, specialist players. In practice, those who worked on boards were very far removed from the final customer. But there was already a clear trend towards integration of the various components (as described by "Moore's Law") and a consequent reduction in the number of players in the value chain. Consequently, the distance from the end-user was also decreasing and this meant that the business approach had to adapt accordingly.

The boards changed from being finished products to becoming increasingly system components. Given the increase in system complexity and the increasing standardisation of functions, hardware and operating system have increasingly become an inseparable combination. Today, from mere hardware we have progressed to "application-ready" platforms, consisting of enclosures that encapsulate hardware, the operating system and middleware, an essential element today for those who want to transfer XML, SOAP, web service, and SOA applications to platforms with different architectures. In future, with the increase in function standardisation, the move will increasingly be towards addition to such platforms of even more software and of possible accessories, to create ready-to-use devices and integrated solutions.

A further effect of the progressive integration of systems is the changing prospects for man/machine interaction: while in the beginning, the low degree of integration put the focus on machines, it has now shifted to human needs and necessities. Thanks to advances in miniaturisation, the computer is becoming increasingly integrated with man and the real world: from the desk-bound PC we have moved to increasingly portable computers, including wearable computers and networks of miniaturised sensors able to make our surroundings 'intelligent'. There is now therefore a need to create systems and interfaces enabling man not to notice interaction with machines (seamless interface): the computer thus becomes invisible, in the sense that man does not perceive its presence. Eurotech's idea for the future is therefore increasingly to create ready-to-use products that fully integrate with the user's surroundings and personal space, but which, at the same time, do not monopolise his attention and do not force him to interrupt what he is doing. The use of new products and processes based on this concept of invisibility is still in the very early stages in many sectors, and there is scope for providing incentives to create major growth opportunities.

Another trend shaping the way in which computers interact with each other and with people relates to the success of digital information and communication technologies, which are leading an irreversible revolution that will lead to profound changes both in society and in individuals. Everything around us will have to become more 'intelligent' and 'interconnected' so that it can be better managed and better used, increasing efficiency and reducing waste.

With some seven billion people on the planet we will have to do a lot more with a lot less. This shift will rely increasingly on technology and on ever-smaller, interconnected, high-performance computers. Eurotech already has the solutions and skills to gather data from the real world and put it on the world-wide web: from onboard parameters of vehicles on the move to the operating data of equipment; and from the environmental conditions of specific monitored areas to information on individuals' physiological parameters. We can build technology platforms that enable a full range of value-added services in the transport, logistics, security, industrial and medical sectors.

Increasingly powerful, small and closely-interconnected computers will generate a 'computer exoskeleton', where computers, hidden from view, will acquire the ability to be anywhere there is a wireless connection. These ubiquitous and interconnected computers will increase the world's visibility, making it more pleasant and sustainable as a result.

The fourth key pillar of Eurotech's business approach springs from an awareness that technologies and products are like human beings: they struggle to grow at first, then grow very rapidly, then adjust and settle down before finally declining. For this reason, both products and the technologies on which they are based have to be periodically refreshed, and this is the purpose of constant innovation.

There is, however, intrinsic difficulty in understanding which will be the next driving technology or the next winning product. To do so it is necessary to try, test, and explore. It also has to be said that this exploration of virgin paths may not even produce any type of result at all. Some paths may in fact turn out not to be feasible or, more simply, not economically viable. If the life cycle tells us that sooner or later our products will decline, then the question is: of the many alternative technologies, not all of which will be successful, which is the right one? Some technologies are doomed to die before they even get to market; others instead will enter the market and will determine its development. In order to maintain our technological leadership, we have to explore as many evolutionary scenarios as possible. In order to do this effectively and cost efficiently, we use external partnerships with universities and research institutes, on the basis of two fundamental assumptions: sharing the development model and sharing the evolutionary scenarios. This is a win/win relationship: the university researches topics that will not be consigned to the drawer because they are already 'sponsored' by a company, and the company can draw upon a network of researchers capable of parallel exploration of different scenarios that it would otherwise be impossible to create.

Strategic approach to innovation

Generally speaking, innovation means two approaches: technology-push and market-pull. The first approach starts from what technology is able to give, and the second from what the market demands or is able to absorb. They are two opposing approaches – but they can be effectively combined. And that is what we have chosen to do in Eurotech.

For a company like ours, which very much bases its success on technological innovation and on anticipating demand, it is essential that research be driven by a technology-push approach. Only with this approach is it possible to maintain technological leadership and continue developing state-of-the-art solutions. To make the technology-push approach more efficient and effective, the complex of external relations with the 'network of knowledge' is vitally important. This is how we can explore several alternative routes simultaneously and cost-effectively. The centre of gravity of technology-push research is therefore very much skewed towards the outside world, with a target outside/inside ratio of 80-20. Given this, in order to maintain an effective hold over research, it is important that control be centralised at corporate level.

The development part is a different matter. To bring the results of research efficiently to market, it is important to focus on an approach that starts with what the market itself wants or might appreciate: in other words, the right approach for development is market-pull. Moreover, whilst research benefits from the simultaneous existence of several open fronts, development has to converge towards a product or product family, and it is therefore advisable to limit dispersion of energy and outside interference. Another particular feature of development is that it implies specificity in sectors and geographical regions, and centralised control would not allow for all these specificities to be gathered together: development is therefore decentralised and distributed between the Group's various companies. This means that each company can conjugate a given product idea in the best way, understand/exploit local specific needs, and turn research results into commercial success.

Strategic approach to growth

In Eurotech, we quickly initiated an external growth strategy, with the aim of achieving critical mass (the so-called tipping point) on a fast-track basis. In order to grow rapidly, we had to enter new markets for us, such as the US or Japan, just as quickly. Starting "from scratch", without a customer base and without a brand reputation in those markets, increased risks and the time needed. We wanted to grow at a rate of 50% YoY and to maintain that pace we needed acceleration factors that could be found only by going beyond the original company's boundaries.

From 2006 to 2007, we completed three significant acquisitions, which gave us a global footprint and increased the size of the company to a level that positioned us among the major players in the embedded computer market. This "change in scale" enabled us, among other things, to look at growth from a new, stronger perspective.

Today our approach is based on three strategic guidelines.

The first of these is combined growth:

- primarily by internal lines, leveraging the innovative content of our HW and SW products, and looking at new types of Customers, new sectors and new regions. On the internal front, we have accumulated a potential for organic growth through investment in research and development, which has only been partly expressed and which therefore needs to be expressed in full;

- in a tactical way by external lines, still giving space to acquisitions, which are seen as catalysts for organic growth. There are still many acquisition opportunities, and it is therefore important to continue to monitor them so that we can be ready to take advantage of them.

The second guideline is constant enhancement of the Eurotech brand's reputation. To do this we are working on three fronts:

1. consolidation of corporate identity and promotion of the Eurotech brand;
2. corporate visibility due to innovative products;
3. partnerships with major industrial and commercial partners.

The third guideline is to maintain technological leadership, which is essential to keep to our aim of creating innovative solutions combining state-of-the-art computing and communication technologies. The levers we use are investments in R&D, co-operation with research centres and universities, and partnerships with companies and start-ups who operate in high potential technologies and sectors.

Strategic approach to the market

The Eurotech Group's sales model has historically featured clear predominance of the direct channel. This choice was justified, on the one hand, by the desire to maintain a direct relationship with the market and, on the other, by the need to build a strong brand before approaching the market via indirect channels.

Today the growth in recognisability of our brand is encouraging growth in the use of indirect channels to approach the market. This combination of the direct and indirect sales models goes well with the evolution of our product offering. A type of virtuous circle is being triggered: the superior strength of the Eurotech brand attracts resellers and intermediaries that find in our offering increasing availability of ready-to-use products: i.e., devices that benefit from the particular features of the indirect channel more than boards or systems and that pave the way to commercial partnerships in which Eurotech provides computing hardware and integrated software platforms that can enable and support the applications or services of the partner.

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

Products

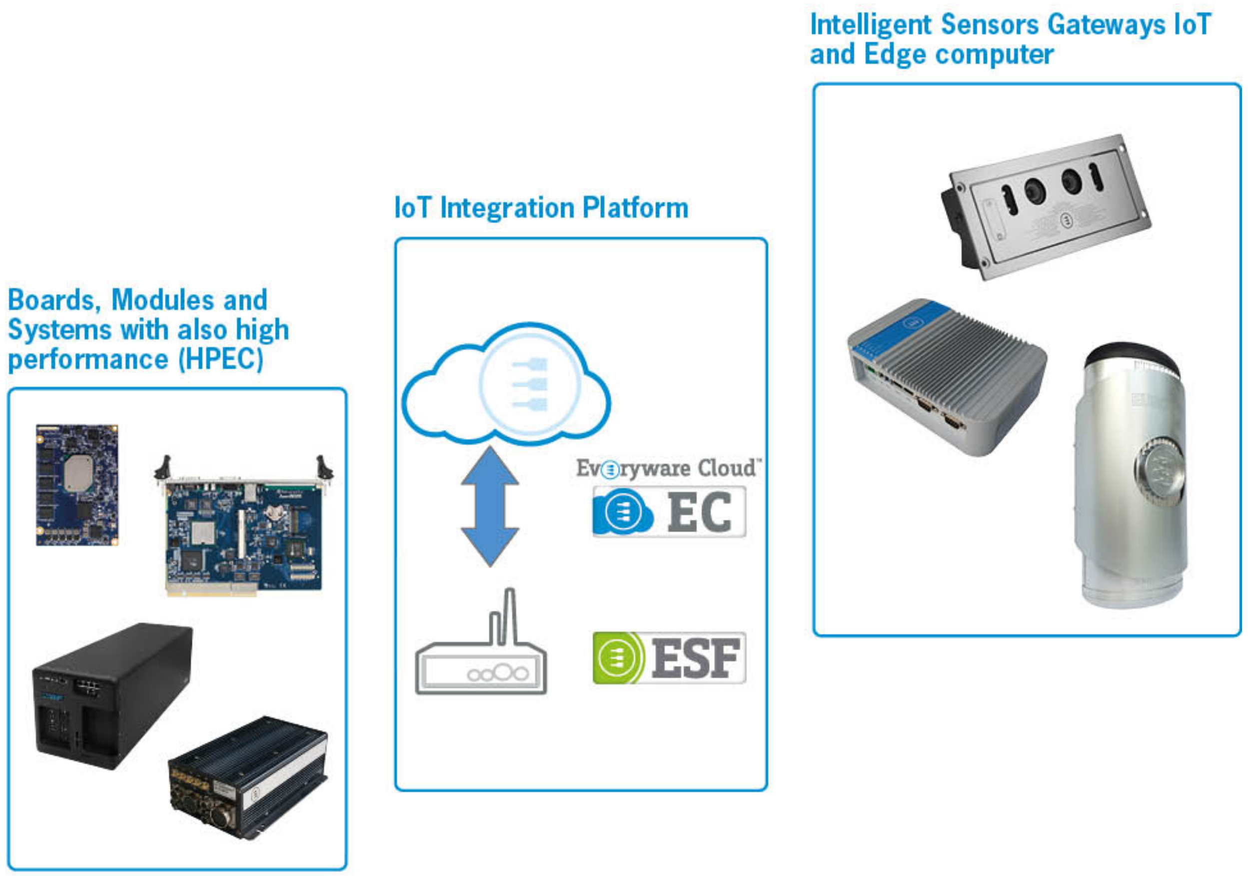
The essence of Eurotech products

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

Over the years, there have been two key changes in the embedded computer scenario: first, software has increasingly been added to hardware, becoming incorporated with it and creating a symbiosis that is now indissoluble. Secondly, the dimension of communication has been added to that of computing.

In each phase of our history we have constantly explored new ways of using computers. In more recent years it is their growing pervasiveness that has stimulated our creativity. The large and small scale interconnected calculators allow us to augment reality, not just visualise or virtualise it. The opportunity that interconnected computers provide to amplify our senses and reality lets us look at the world from a new angle.

In this perspective, Eurotech develops and markets Pervasive Computing Devices. These are devices whose key components include the embedded PC boards on which Eurotech was founded, but they are increasingly concealed in the systems and integrated with middleware to create edge computing platforms that can hold an application or ready-to-use systems in Internet of Things environments.



Eurotech products have always stood out because they are specifically capable of operating in particularly demanding environments: extreme temperatures, temperature excursion, humidity, vibrations and shocks are all normal working conditions for our solutions. This is why we have a long tradition of application in harsh environments such as the military, aerospace, and transport sectors.

The durability and reliability of Eurotech products makes them suitable for all uses where malfunctioning is not an option and must not happen, that is to say where anomalous operation or breakdowns may cause major economic damage. This is why our customers include companies that make extremely high-precision industrial machinery or plants required to ensure extremely high levels of productivity without sacrificing product quality and without machine outages.

All Eurotech products draw on our continuous research and on the experience that we have built up over the years in the technological fundamentals of miniaturisation, low consumption and durability. They all meet the strictest reference standards.

Markets

Our typical Customer

The Eurotech Group distributes and markets its solutions globally, both directly and via qualified partners. The Group's Customers operate in a variety of sectors, both conventional and emerging, and therefore have different needs. The majority of our Customers nevertheless choose us because they see in our Group the ideal supplier or partner to meet some recurrent specific needs.

More specifically, our Customers feature increasingly demanding requirements in terms of:

- Low consumption and/or battery powered
- Minimum heat generation
- Compact formats and sizes
- Wired & Wireless connections
- Ease of integration within distributed ICT infrastructures
- Durability, for use in harsh environments and extreme environmental conditions
- Superior reliability
- Compliance with the most stringent market standards

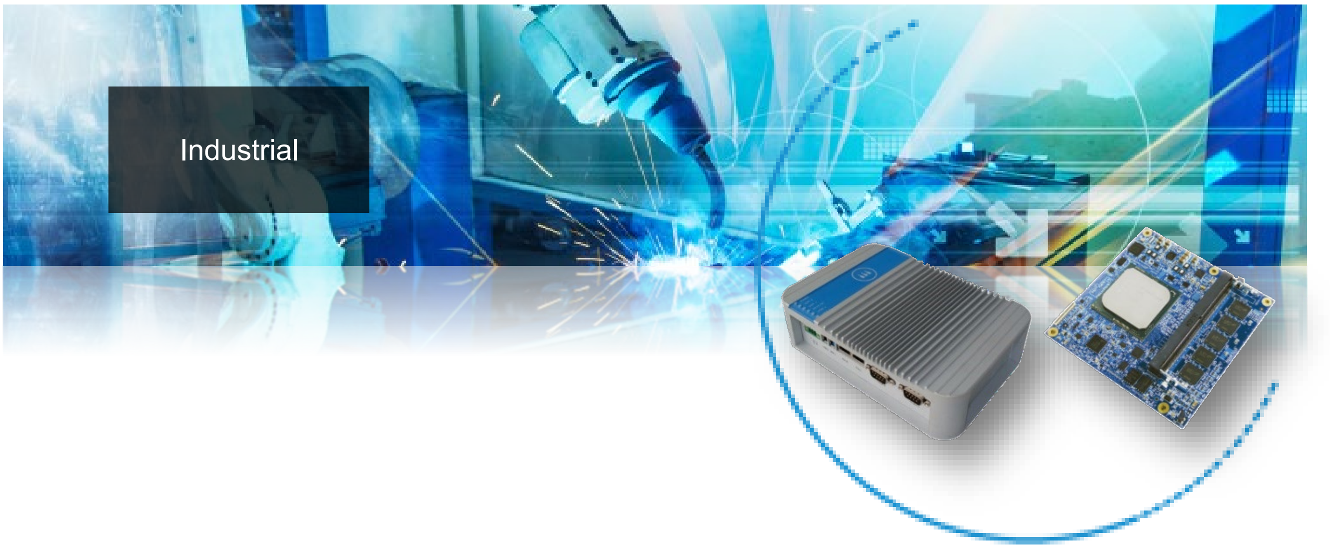
Besides these functional requirements, our Customers also seek in Eurotech a centre of technological competence. They want to reduce their time-to-market and their total cost of ownership and focus on their core businesses. They often need solutions for mission-critical applications, supply of which must be assured for long periods. Because of this, they appreciate our program of Long-Life Cycle on products, which we achieve also via a Form-Fit-Function approach.

Applications

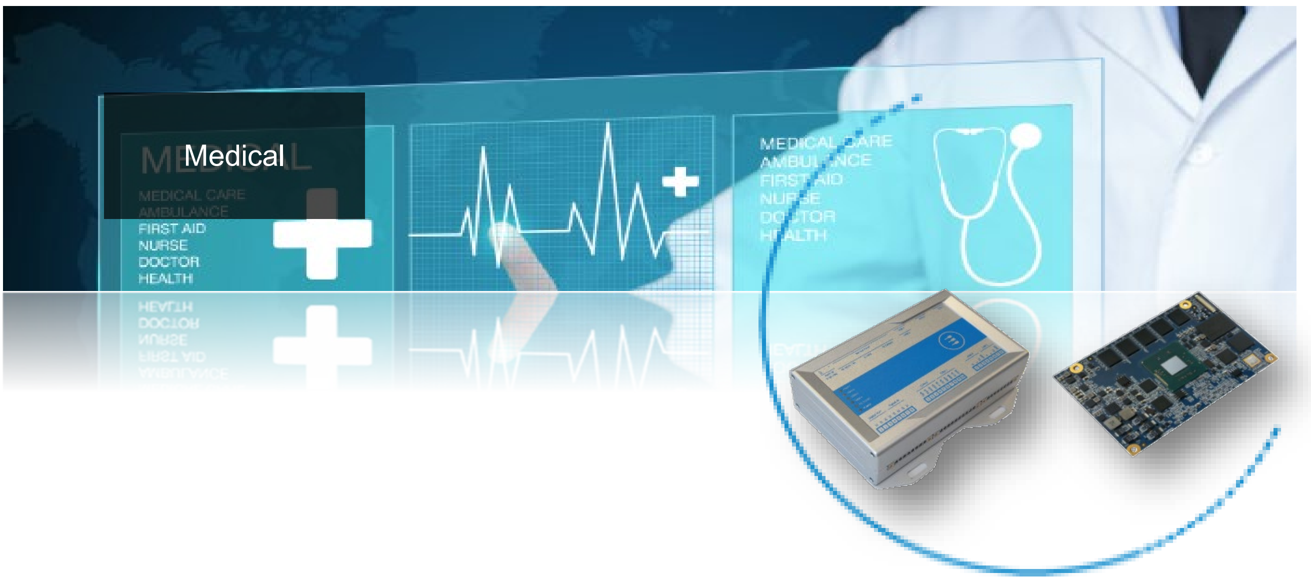
The Eurotech Group's offering is structured in product lines and solutions, each dedicated to a specific market segment:

- Industrial
- Transportation
- Medical
- Energy
- Defence

Eurotech products and solutions share the same set of base technologies and are employed in many specific application environments, both conventional and emerging. Here are some examples:


Industrial


Transportation


Medical
FIRST AID
NURSE
DOCTOR
HEALTH


Energy
EUROTECH


Defence

Corporate information

Board of Directors	
Chairman	Roberto Siagri [6]
Deputy Chairman	Dino Paladin [1]
Director	Giulio Antonello [1,2,5,6]
Director	Riccardo Costacurta [1,2,3,4,5]
Director	Chiara Mio [1,2,3,4,5,6]
Director	Carmen Pezzuto [1,2,3,4]
Director	Susanna Curti [1,7]
Director	Aldo Fumagalli [1,7]
Director	Antongiulio Marti [1,7]

The Board of Directors currently in office was appointed by the shareholders at the Annual General Meeting of 26 April 2017 with new members co-opted in on 13 November 2019; 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 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 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 (Udine), Italy Udine Company Register no. 01791330309

[1] Non-executive Directors.
[2] Independent Directors pursuant to the Corporate Governance Code issued by the Italian Corporate Governance Committee for Listed Companies.
[3] Member of the Control and Risks Committee.
[4] Member of the Committee for transactions with related parties.
[5] Member of the Remuneration Committee.
[6] Member of the Appointments Committee.
[7] Director co-opted on 13 November 2019.

Information for shareholders

The ordinary shares of Eurotech S.p.A., the Parent Company of the Eurotech Group, have been listed in the STAR segment of the MTA Market run by Borsa Italiana since 30 November 2005.

Share capital of Eurotech S.p.A. at 31 December 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	440,020
Stock market capitalisation (based on the share's average price in December 2019)	€299 million
Stock market capitalisation (based on the share's relevant price at 31 December 2019)	€300 million

Performance of Eurotech S.p.A. shares

Relative performance EUROTECH S.p.A.
01.01.2019 – 31.12.2019

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

Management report

Introduction

The Eurotech Group's business and financial results for FY2019 and comparative periods have been drawn up according to the International Accounting and Financial Reporting Standards (IASs/IFRSs) issued by the International Accounting Standards Board and endorsed by the European Union. Unless otherwise stated, data are expressed in thousands of euro.

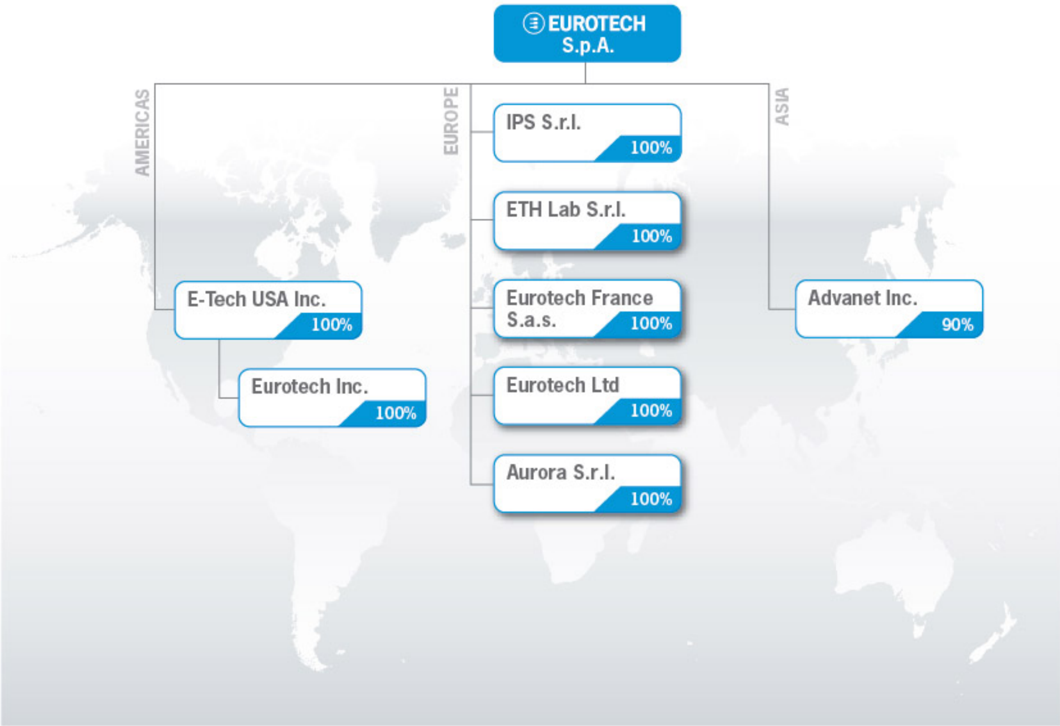
The Eurotech Group

The Eurotech Group operates in the sector of research, development, production and marketing of miniaturised, high performance and high energy efficiency computers for special uses named NanoPCs. The Group's product offering consists of miniaturised electronic modules that can have high processing capabilities and very high energy efficiency and software platforms for the Internet of Things, currently targeting the industrial, transport, medical, energy and defence sectors.

At 31 December 2019, the Eurotech Group consisted of the following companies:

Company name	Business activity	Share capital	Group share
Parent company			
Eurotech S.p.A.	Operates in the NanoPC segment with its main focus on the Italian market and in the HPC market at global level. In terms of organisation, it performs the role of coordinating holding company at corporate level	Euro 8,878,946	
Subsidiaries and companies consolidated on a line-by-line basis			
Aurora S.r.l.	Engineering company that mainly operates in the High Performance Embedded Computer market supplying services to support the parent company	Euro 10,000	100.00%
E-Tech USA Inc.	Holding company that controls 100% of Eurotech Inc.	USD 8,000,000	100.00%
EthLab S.r.l.	Handles research and development on the Group's behalf (since 2005)	Euro 115,000	100.00%
Eurotech France S.A.S.	Operates in the French market, with its main focus on IoT	Euro 795,522	100.00%
Eurotech Inc.	Operates in the US market in the NanoPC segment with a focus on the industrial, medical and transport sectors	USD 26,500,000	100.00%
Eurotech Ltd.	Operates mainly in the United Kingdom	GBP 33,333	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Operates in the Italian market under the IPS brand	Euro 51,480	100.00%
Advanet Inc.	Operates in the Japanese market with a focus on the industrial, medical and transport sectors	JPY 72,440,000	90.00% (1)

(1) For the purposes of consolidation 100% is taken into account, since the company holds the remaining 10% in the form of treasury shares.


EUROTECH
S.p.A.
AMERICAS
EUROPE
ASIA
IPS S.r.l.
100%
ETH Lab S.r.l.
100%
Eurotech France
S.a.s.
100%
Eurotech Ltd
100%
Aurora S.r.l.
100%
E-Tech USA Inc.
100%
Eurotech Inc.
100%
Advanet Inc.
90%

Operating performance

(€'000)		FY 2019	%	FY 2018	%	% change
OPERATING RESULTS						
SALES REVENUES		101,973	100.0%	79,083	100.0%	28.9%
GROSS PROFIT MARGIN	(*)	51,951	50.9%	37,556	47.5%	38.3%
EBITDA	(**)	20,535	20.1%	8,128	10.3%	152.6%
EBIT	(***)	16,611	16.3%	5,844	7.4%	184.2%
PROFIT (LOSS) BEFORE TAXES		16,125	15.8%	5,624	7.1%	186.7%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		19,242	18.9%	5,682	7.2%	238.6%

(*) Gross profit margin is the difference between revenues from sales of goods and services and use of raw materials.
(**) Result before depreciation, amortisation and impairment of assets, valuation of equity investments in affiliates using the equity method, financial income and charges and income tax for the year (EBITDA).
(***) Result (EBIT) before valuation of equity investments in affiliates using the equity method, financial income and charges and income tax for the year.

2019 was a record-breaking year for Eurotech, which achieved a turnover of €101.97 million at Group level, up 28.9% compared to 2018. At constant exchange rates, therefore neutralising the effect of different currency translations in the two periods, there is still a significant growth rate, exceeding 23.3%. The performance YoY of the GBP/Euro, Yen/Euro and USD/Euro exchange rate upon translation of the financial statements (in terms of average annual exchange rates), affected the figures positively by 0.8%, 6.4% and 5.2% respectively.
This growth in turnover, generated following a 31.5% increase in 2018, is the direct effect of the orders obtained, and especially the backlog which existed at the beginning of the year, in addition to the investments and efforts made to position the Eurotech brand among the first movers in IoT and HPEC technology.
There are now 10 consecutive quarters in which interim results show an EBITDA of over 9%, with peaks of up to 24% and a pre-tax result at breakeven or positive; this is a significant trend that we believe could continue through 2020 due to the consolidated implementation of the operating leverage.

All geographic areas contributed towards the growth in revenues. In America, sales were up by 46.8% compared to the same period of the previous year; Japan recorded a 5.1% increase; growth amounted to 36.1% in Europe, driven in particular by the Parent Company which scored an increase of 44.2% due to the strong growth in the German market.
In 2019, the American area had both the highest impact on Group turnover and the highest growth, and can therefore be considered to be one of the factors that is most significant in driving Group growth. Performance in the American area benefitted from organisational actions taken by Parent Company management in 2017 and subsequently left in charge to the new local managers in 2018. After 39.6% growth over 2017, growth amounted to 46.8% in 2019, meaning that turnover doubled in the two-year period. While the board & system business line grew significantly, the IoT line still suffered from inertia in the customer experimentation stages as they need time to fully adopt the new technology and change their business models. Therefore, while the American area continues to be successful in the

demonstration that the technology works through activation of “Proof of Concept” (POC), it does not yet benefit from the entry into operation of the IoT customers at full capacity, meaning that it will take longer for the expected growth to be triggered.

The trend in the Japanese area was essentially similar to the previous year in terms of turnover, but work was carried out to sell the products with higher profit margins. The customer base comprises significant local companies who find a highly specialised development centre in Advanet. Attempts are being made to add new customers to the traditional customer base, proposing new technologies that the company can develop internally or that derive from other Group companies, such as the line of IoT products. In fact, this is an area where customers are interested in the products offered, seeking to understand the potential of our solutions based on their needs. Special attention is paid to the continued pressure on prices that is helped by the continuous actions taken on purchasing and production costs to maintain the historical profit margin levels. The Japanese market continues to be a significant target market given the importance of established companies and their relevance, not only locally but also globally.

On the back of the orders received at the end of 2017 and those received in 2018, in 2019 the European area grew significantly, managing to triple turnover compared to two years ago. Since some of the companies in this area did not grow, certain potential has not yet reached its full expression. The area is highly receptive and interested in specific products for the transport sector, as well as in high value products such as the High Performance embedded Computing (HPEC) systems for the new Deep Learning and Artificial Intelligence sectors; the entire range of products for the IoT has also aroused much interest in Europe: customers who have tried our solutions are thinking about or have already begun to involve other divisions of their Groups in the experimentation of the solutions proposed by Eurotech.
The new lines of product – including both those which have already been developed and those under development – are highly innovative compared to traditional competitors, and continue to attract important industrial Global 2000 customers that can also generate significant recurring revenue thanks to the IoT services provided from the SW platforms.

The Group strategy already set out in previous years will continue, involving a balancing between investments in the Embedded PC traditional range of products and services, which still generate most profits, and the development of innovative lines of products for Edge Computing, AI and IoT that are expected to generate significant growth in turnover in upcoming years.
Even though the innovative actions in the embedded computing sector that the Group brought forward in recent years were recognised as such by customers who continued to trust Eurotech and choose it as a supplier, the IoT sector is the one that is generating increasing changes in the industrial market in general thanks to the “Fourth industrial revolution” (Industry 4.0), and opening new opportunities with customers other than the historic ones. Various analysts consider Eurotech to be one of the leaders due to its hardware product portfolio (particularly the gateways) and the IoT platform. New customers are using the IoT platform and Eurotech hardware to connect their machines and innovate their product ranges, thus exploring how technologically innovative elements can be supplied to give them a competitive edge in their respective markets.
The global positioning of the Eurotech brand remains strategic, along with the creation and continued implementation of a partner ecosystem to make the offer of hardware and software products more widely known and multiply the business development channels.
Despite this position in the IoT world, and the desire of customers to innovate in the direction of the fourth industrial revolution, the implementation stage for projects by customers has to pass through the internal experimentation stages, which are still long, and so far have delayed the expected growth, including that predicted by the analysts in the IoT sector. The activation of concrete projects with big international customers, in various vertical sectors, generated, and will definitely continue to generate a positive impact in future years, and the effect of this impact will be directly related to the speed with which these new technologies are understood and adopted by the customers.

In order to be able to stay up to speed with the technological innovations and retain its competitive edge in the IoT market, Eurotech continues to invest, with a view towards continuous improvement, paying close attention to balancing resources against overall cost trends, and therefore managing the investments in connection with the total sales generated by the Group.

The gross profit margin for the year amounted to €51.95 million, or 50.9% of turnover, up on the figure of 47.5% last year, and higher than plan forecasts. The growth in gross profit confirms that the Group is managing to sell products with higher added value that can respond to market requirements in this age of digital transformation; it also shows how the software and IoT services are gradually contributing towards the growth. The gross profit margin is strongly influenced by the mix of products sold, which have different margins depending on the type of product, the application sectors and the geographic market outlets. Purchasing activities have always been driven by the efficient management of production and stock, continuously attempting to reduce both purchasing costs and production times to make the product available to the customers as quickly as possible.
The operating costs before adjustments for internal increases amounted to €35.00 million (34.3% as a percentage of revenues), with an increase of 6.8% over the €32.78 million (41.4% as a percentage of revenues) in 2018. This increase is related to the turnover obtained during the year and currency trends that accounted for 3.6% of the growth in operating costs (at constant exchange rates, the operating costs actually grew by only 3.2%). The lower incidence of operating costs on turnover (from 52.6% in 2017 to 41.4% in 2018, down to 34.3% in 2019) demonstrates the strong operational leverage and how, albeit with some necessary cost increases, the structure was able to sustain with the same resources an important growth in turnover, therefore generating increasing value. Operating costs before adjustments increased in the twelve months of 2019 by only €1.10 million if considered on a like-for-like exchange rate basis (€ 2.22 million at the actual exchange rates) to support the increase in turnover for the year and the upcoming quarters. Additional costs in the main corporate areas such as R&D and sales will be incurred in 2020 to continue to support forecasted future growth, maintaining the operational leverage always active with a view to continuous growth in value. The entry into force this year of IFRS 16 entailed a reduction in operating costs of €1.48 million. Even with a recalculation of 2018 operating costs in application of IFRS 16, the impact of operating costs on revenues improved significantly.
The most significant item in the operating costs is the payroll costs which amounted to €20.38 million, accounting for 20.0% of revenues, down from the same period of the previous year (23.0%). The headcount at 31 December 2019 was 318 (302 at 31 December 2018), with an average of 311 employees for the year (300 in 2018).

EBITDA improved by €12.41 million and amounted to €20.53 million, compared with €8.13 million in 2018. EBITDA in 2019 as a percentage of revenues was 20.1%, compared with 10.3% in 2018.

EBIT showed a net improvement in the period in question, amounting to €16.61 million compared to €5.84 million in 2018, after having included amortisation/depreciation and write-downs of the property, plant and equipment and intangible assets of €3.92 million compared to amortisation/depreciation and write-downs of €2.28 million in 2018. EBIT as a percentage of revenues amounted to 16.3% in 2019 compared to 7.4% in 2018. The increase in amortisation/depreciation was mainly due to the effect of first-time adoption of IFRS 16, as discussed in Note 33.

The write-downs made in 2019 refer exclusively to product development activities that were capitalised in previous years that generated the need to write-down the recognised cost, while with respect to 2018, the item refers exclusively to the write-down of a portion of the goodwill related to the Eurotech France Sas business unit.

Net financial management in 2019 amounted to €0.49 million (€0.22 million in 2018), with €0.38 million relating to the net interest management (it amounted to €0.43 million in 2018) and the amount of the other financial changes. The net exchange difference was insignificant for the year, amounting to €0.04 million compared to €0.23 million in 2018.

The pre-tax profit for 2019 was €16.12 million (€5.62 million in 2018). This performance was influenced by the factors outlined above.

The Group net profit was €19.24 million, compared to €5.68 million in 2018.
This performance not only reflects the pre-tax profit result, but is due to the tax burden on the Group's various companies (see Note 32 for more details) and the accounting, during the financial year, for the deferred tax assets on the tax losses used to cover the taxable income for the year and the part of tax losses that could be reasonably used in subsequent years on the basis of convincing accounting records.

The Group controls a "NanoPC" business line which comprises a) miniaturised modules and electronic systems with high computing capacity for industrial, transport, medical, energy and defence uses; b) machine to machine (M2M) software platforms for Internet of Things (IoT) applications.
The segment reporting is presented based on the geographic area in which the various Group companies operate and are currently monitored. This is defined by the location of goods and operations carried out by individual Group companies. The geographic areas identified within the Group are: North America, Europe and Asia.

Changes in revenues and margins by individual geographical area and the relative changes in the periods under review are set out below.

(€' 000)	North America		Europe		Asia		Correction, reversal and elimination		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Third party Sales	47,907	32,425	27,312	20,330	26,754	26,328	0	0	101,973	79,083
Infra-sector Sales	900	831	7,408	5,190	1,117	199	(9,425)	(6,220)	0	0
Total Sales revenues	48,807	33,256	34,720	25,520	27,871	26,527	(9,425)	(6,220)	101,973	79,083
Gross profit	20,330	11,376	16,432	12,191	15,919	14,279	(730)	(290)	51,951	37,556
Gross profit margin - %	41.7%	34.2%	47.3%	47.8%	57.1%	53.8%			50.9%	47.5%
EBITDA									20,535	8,128
EBITDA margin - %									20.1%	10.3%
EBIT									16,611	5,844
EBIT margin - %									16.3%	7.4%

North American revenues, including infra-sector revenues, significantly increased from €33.26 million in 2018 to €48.81 million in 2019 (+46.8%). This increase is due to the work carried out on the commercial and marketing fronts, which began in 2017 and has brought benefits over the last two years. 2019 order intake remained constant in the first 9 months of 2019, mainly with reference to the traditional embedded board and system business line, also due to business performance in the USA which historically peaks in the year before presidential elections. Marketing activity was carried out during the year and will continue with greater intensity in 2020 and was mostly aimed at finding new customers and medium-large customers, generally belonging to the "Global 2000" companies list and who are currently very active and wish to employ technology to accelerate their digital transformation. In the IoT area, the start of production by the customers with whom the experimentation (POC) had begun was still behind expectations, but generally, there was an acceleration in customer interest in innovative solutions in the AI (Artificial Intelligence) and IoT areas.
The European business area also grew significantly, increasing from €25.52 million in 2018 to €34.72 million in 2019, the highest historical value in the area, scoring an overall increase including infra-sector revenues of 36.1%. Performance by the various operational units in the area has not been consistent since Italy grew while the other two main European countries where the Group operates – UK and France – have been stable. The growth in the area was due to a number of factors: new business opportunities generated through new customers in the new autonomous systems sector that uses Artificial Intelligence, linked to HPEC (High Performance Embedded Computing) technologies; new orders in traditional sectors such as intelligent transportation; new customers related to the paradigm of the Industry 4.0 and Society 5.0 and that need technology components to implement Industrial IoT solutions.
Finally, in the Asia business area, there was growth of 5.1% compared to the previous year, from €26.53 million to €27.87 million (amounts including the infra-sector revenues), with supplies continuing to traditional customers who trust the technical capacity and knowledge of our engineers to keep the

products up to date with existing technological changes, and beginning the new joint development activities with important customers that will translate into growth in turnover in the years to come.

The breakdown of revenues by type that, also in application of IFRS 15, provides information on the disaggregated revenue, shows increased revenue from services, especially in absolute terms (with a 32% up compared to 2018), while revenue is constant in percentage terms with respect to the industrial revenue.

(€' 000)	FY 2019	%	FY 2018	%
SALES BY TIPE				
Industrial revenues	96,938	95.1%	75,269	95.2%
Services revenues	5,035	4.9%	3,814	4.8%
TOTALE SALES AND SERVICE REVENUES	**101,973**	**100.0%**	**79,083**	**100.0%**

The geographic breakdown of revenues by customer location is shown below:

(€' 000)	FY 2019	%	FY 2018	%	% change
BREAKDOWN BY GEOGRAPHIC AREA					
European Union	24,632	24.2%	16,048	20.3%	53.5%
United States	46,669	45.8%	33,061	41.8%	41.2%
Japan	26,752	26.2%	26,326	33.3%	1.6%
Other	3,920	3.8%	3,648	4.6%	7.5%
TOTAL SALES AND SERVICE REVENUES	**101,973**	**100.0%**	**79,083**	**100.0%**	**28.9%**

On the basis of the breakdown of turnover by geographic area, there was a 41.2% increase in turnover in the USA, confirming the area as the most important for the Group. The USA area accounted for 45.8% of total annual turnover in 2019 compared to 41.8% in 2018.
The Japan area registered a 1.6% increase in turnover compared to 2018, continuing to be one of the most important areas, but with a percentage of 26.2% of consolidated turnover, compared to 33.3% in 2018.
In the Europe area, again with reference to customer location, the level of turnover increased by 53.5%. The percentage to the overall turnover by Europe grew from 20.3% to 24.2%of the total.
With reference to other geographic areas, there was a 7.5% increase due to certain sales in China and Southeast Asia. However, the other areas account for a total of less than 3.8%.

(€'000)	FY 2019	% of sales	FY 2018	% of sales	% change
Purchases of raw materials, semi-finished and finished products	47,986	47.1%	41,714	52.7%	15.0%
Changes in inventories of raw materials	966	0.9%	1,231	1.6%	-21.5%
Change in inventories of semi-finished and finished products	1,070	1.0%	(1,418)	-1.8%	-175.5%
TOTAL COST OF MATERIALS	50,022	49.1%	41,527	52.5%	20.5%

Consumption of raw and auxiliary materials and consumables - shown in the table above - increased during the period in relation to the turnover, from €41.53 million in 2018 to €50.02 million in 2019. A 20.5% increase in consumption was recorded in the period under review, not very proportional to the 28.9% increase in turnover. The difference between the changes in consumption and turnover is the direct result of the mix of products sold and the type of services offered and the write-downs on inventory figures. Costs for raw and auxiliary materials and consumables as a percentage of revenues fell from 52.5% in 2018 to 49.1% in 2019.

(€'000)	FY 2019	% of sales	FY 2018	% of sales	% change
Service costs	13,204	8.1%	12,269	15.7%	7.6%
Rent and leases	338	0.2%	1,594	2.2%	-78.8%
Payroll	20,383	12.7%	18,197	23.9%	12.0%
Accruals and other costs	1,077	0.5%	717	1.1%	50.2%
Cost adjustments for in-house generation of non-current assets	(2,451)	-1.9%	(2,314)	-3.0%	5.9%
Operating costs net of cost adjustments	32,551	19.7%	30,463	39.9%	6.9%

As a percentage of revenues, other operating costs, net of cost adjustments for internal increases, fell from 38.5% in 2018 to 31.9% in 2019.
In absolute terms, net operating costs were up 6.9%, from €30.46 million in 2018 to €32.55 million in 2019. The increase in absolute terms is mainly due to the increase in costs for services and personnel to deal with the increase in turnover, and was partly offset by a decrease in lease costs which are reported differently from rental expenditure following the introduction of IFRS 16. The most significant cost categories refer to the costs for services supporting the various company activities, with particular reference to development and commercial costs and payroll costs.

The trend in service costs is shown below.

(€'000)	FY 2019	%	FY 2018	%	% change
Industrial services	5,166	39.1%	4,941	40.3%	4.6%
Commercial services	3,183	24.1%	2,797	22.8%	13.8%
General and administrative costs	4,855	36.8%	4,531	36.9%	7.2%
Total costs of services	13,204	100.0%	12,269	100.0%	7.6%
% impact on sales	12.9%		15.5%		

Service costs increased 7.6% or €0.93 million, up from €12.27 million in 2018 to €13.20 million in 2019. This percentage to revenues continues to drop each year, and is currently at about 12.9% (2018: 15.5%).

Industrial service costs were up 4.6%, from €4.94 million in 2018 to €5.17 million in 2019. These costs are directly linked to both the quantity of products sold and their mix.

The costs for commercial services required to maintain the product portfolio in the various markets increased due to the higher marketing costs incurred for communication purposes and to exploit the competitive advantage over the competitors; these costs amounted to €3.18 million in 2019 (2018: €2.80 million), with a €386 thousand increase (13.8%).

Costs for general and administrative services were up 7.2% compared to the previous year, from €4.53 million in 2018 to €4.85 million in 2019.

The absolute value of leasing costs fell from €1.59 million in 2018 to €0.34 million in 2019. The reduction is due to the application of IFRS 16, which requires, as indicated in Note 33, the fixed asset to be reported in relation to the leased goods and its depreciation in accordance with the duration of the contract. The percentage to revenues amounted to 0.2% (2018: 2.0%).

In the period under review, payroll costs increased 12.0%. The difference is due to the increase in the number of employees in order to sustain the growth generated and the growth forecast for coming years.

(€'000)	FY 2019	%	FY 2018	%	% change
Wages, salaries and Social Security contributions	19,690	96.6%	17,418	95.7%	13.0%
Employees' leaving entitlement and other personnel provisions	165	0.8%	354	1.9%	-53.4%
Other costs	528	2.6%	425	2.3%	24.2%
Total personnel expenses	20,383	100.0%	18,197	100.0%	12.0%
% impact on sales	20.0%		23.0%		

Payroll costs as a percentage of revenues stood at 20.0% in 2019, compared to 23.0% in 2018.

As shown in the table below, the number of Group employees at the end of the years under review increased from 302 in 2018 to 318 in 2019. In terms of average number of employees, the values are up: from 300.0 units in 2018 to 311.5 units in 2019.

In the table below, staff on the management team and who head management teams at the individual subsidiaries (managers) has been extrapolated from the "office staff" item.

EMPLOYEES	Average 2019	at December 31, 2019	Average 2018	at December 31, 2018
Manager	10.0	10	9.7	11
Clerical workers	280.7	285	273.0	272
Line workers	20.9	23	17.4	19
TOTAL	311.5	318	300.0	302

Total accrual and other costs are as follow:

(€'000)	FY 2019	%	FY 2018	%	% change
Doubful debt provision	140	13.0%	76	10.6%	84.2%
Other Provisions	248	23.0%	14	2.0%	n.s.
Other costs	689	64.0%	627	87.4%	9.9%
Total accruals and other costs	1,077	100.0%	717	100.0%	50.2%
% impact on sales	1.1%		0.9%		

The "doubtful debt provision" item refers to provisions made during the years under review to cover any trade receivables that cannot be collected.
The "Other Provisions" item refers for €160 thousand to the provisions made during the year to meet the costs related to the product warranty and for Euro 88 thousand to those relating to future costs to be incurred to return the leased assets to their original state.
During the year no losses were incurred on receivables, whereas the figure was €9 thousand at 31 December 2018.
As a percentage of revenues, other provisions and costs increased from 0.9% in 2018 to 1.1% in 2019.

(€'000)	FY 2019	%	FY 2018	%	% change
Government grants	566	49.9%	8	0.8%	n.s.
Sundry revenues	569	50.1%	1,027	99.2%	-44.6%
Total other revenues	1,135	100.0%	1,035	100.0%	9.7%
% impact on sales	1.1%		1.3%		

The "Other income" item increased by 9.7% in the reporting period, from €1.03 million in 2018 to €1.13 million in 2019. The increase is due to the combined effect of accounting for certain grants for operating expenses, which were recorded in the financial statements upon conclusion of the reporting and the lack of income that had been accounted for under "Other revenues" relating to the activities carried out to support some pre-existing partnerships.

"Other revenues" fell from 1.3% in 2018 to 1.1% in 2019 as a percentage of revenues.

(€'000)	FY 2019	%	FY 2018	%	% change
Amortisation of intangile assets	1,916	48.8%	1,480	64.8%	29.5%
Amortisation of property, plant and equipment	1,998	50.9%	584	25.6%	242.1%
Write-down of fixed assets	10	0.3%	220	9.6%	-95.5%
Total amortisation and depreciation	3,924	100.0%	2,284	100.0%	71.8%
% impact on sales	3.8%		2.9%		

Amortisation/depreciation increased from €2.06 million in 2018 to €3.91 million in 2019. This change is attributable to the impact of application of IFRS 16 and the different impact of the amortisation/depreciation relating to the investments made in the period and previous periods.
The write-down of fixed assets during the year is fully related to the write-down of the development activities that are not considered to be usable anymore, while in 2018 they were fully related to the impairment of goodwill of the Eurotech France Sas business unit for €220 thousand.
Depreciation, amortisation and write-downs of assets as a percentage of revenues rose to 3.8% in 2019 from 2.9% in 2018.

With reference to the management of equity investments, costs or revenue were not reported during the year since there were no changes to their management, while in 2018 the amount related to the combined effect of the write-down for €30 thousand on the Rete Space Italy consortium to reduce the value of the quotas paid and the capital gains of €11 thousand made following sale of the company eVS embedded Vision Systems S.r.l., already classified as an asset held for sale.

€'000	FY 2019	FY 2018	change %
Exchange-rate losses	442	591	-25.2%
Interest expenses	405	410	-1.2%
Interest expenses on lease liabilities	68	2	n.s.
Expenses on derivatives	24	13	84.6%
Other finance expenses	63	40	57.5%
Financial charges	**1,002**	**1,056**	**-5.1%**
Exchange-rate gains	478	824	-42.0%
Interest income	28	24	16.7%
Other finance income	10	7	42.9%
Financial incomes	**516**	**855**	**-39.6%**
Net financial income	**(486)**	**(201)**	**141.8%**
% impact on sales	**-0.6%**	**-0.3%**	

The slight reduction in financial charges from €1.06 million in 2018 to €1.00 million in 2019 was due in particular to the reduction in the negative foreign exchange differences (of the US dollar, the Japanese yen and the UK pound) and the other financial charges, while the management of interest expense was in line with last year.

On the other hand, financial income decreased from €0.85 million in 2018 to €0.52 million in 2019. The change is mostly due to the lower forex effect (USD, GBP and JPY) compared to the previous year.

Net charges from financial management as a percentage of revenues were -0.6% in 2019, compared with -0.3% in 2018.

(€'000)	FY 2019	% of sales	FY 2018	% of sales	% change
Pre-tax result	16,125	15.8%	5,624	7.1%	186.7%
Income taxes	3,117	3.1%	58	0.1%	n.s.

The pre-tax profit result increased by €10.50 million, from €5.62 million in 2018 to €16.12 million in 2019. As already noted, this change is the effect of the performance of the turnover and gross profit margin, the trend in operating costs, other revenues and financial management. Income tax as a percentage of the pre-tax result in the period under review reflects tax trends at the consolidated companies, as well as the recognition of deferred tax assets to offset the tax charge for the year (with some companies having reported a portion of their tax losses for the previous year), and the partial recognition of receivables for prepaid taxes on accumulated losses limited to the possible income forecast for future years. Therefore, for this year, like last year, a considerable part of the residual overall tax benefit on the accumulated losses was not reported since it was believed that all the conditions for recognising it were not yet met.

The schedule below breaks down the income tax sustained by Group companies for both years under review, distinguishing between current tax and deferred tax assets and liabilities, and between taxes due under Italian law and those due under foreign law.

(€'000)	FY 2019	% of sales	FY 2018	% of sales
IRES (Italian corporate income tax)	36	0.0%	172	0.2%
IRAP (Italian Regional business tax)	259	0.3%	141	0.2%
Foreign current income taxes	1,286	1.3%	1,476	1.9%
Total current income tax	1,581	1.6%	1,789	2.3%
Net (prepaid) deferred taxes: Italy	(3,259)	-3.2%	(281)	-0.4%
Net (prepaid) deferred taxes: Non-italian	(1,473)	-1.4%	(1,562)	-2.0%
Net (prepaid) deferred taxes	(4,732)	-4.6%	(1,843)	-2.3%
Previous years taxes	34	0.0%	(4)	0.0%
Previous years taxes	34	0.0%	(4)	0.0%
TOTAL INCOME TAXES	(3,117)	-3.1%	(58)	-0.1%

With regard to current national taxes, Eurotech S.p.A. operates in a national tax consolidation scheme for Italian companies.

The Group registered a profit for the year of €19.24 million compared to a profit of €5.68 million in 2018.

Statement of financial position

Non-current assets

(€'000)	at December 31, 2019	at December 31, 2018	Changes
Intangible assets	88,905	85,369	3,536
Property, Plant and equipment	6,565	2,579	3,986
Investments in other companies	162	160	2
Deferred tax assets	7,981	3,025	4,956
Medium/long term borrowing allowed to affiliates companies and other Group companies	89	87	2
Other non-current assets	665	654	11
Total non-current assets	104,367	91,874	12,493

The "Non-current assets" item increased from €91.87 million in 2018 to €104.37 million in 2019.
The change reflects the change in intangible assets arising from the different conversion ratio for financial statements in foreign currency, the reporting of property, plant and equipment following application of the new standard IFRS 16, the investments made and the amortisation/depreciation of the assets, and the change in the deferred tax assets that increased by €4.96 million due to recognition of the deferred tax assets reported during the year on the basis of the records on the expected future tax result of some Group companies. Of the €12.49 million change, €2.55 million is due to the foreign exchange effect.

The Group's main equity investments break down as follows:

(€'000)	at December 31, 2019	at December 31, 2018	Changes
Intangible assets	3,055	2,533	522
Property, plant and equipment	1,290	704	586
Investments	-	23	(23)
TOTAL MAIN INVESTMENTS	4,345	3,260	1,085

Current assets

(€'000)	at December 31, 2019	at December 31, 2018	Changes
Inventories	21,256	21,998	(742)
Contracts in progress	-	86	(86)
Trade receivables	11,707	13,808	(2,101)
Income tax receivables	269	298	(29)
Other current assets	2,115	2,183	(68)
Other current financial assets	108	104	4
Cash & cash equivalents	30,687	13,196	17,491
Total current assets	66,142	51,673	14,469

The current assets item increased, from €51.67 million in 2018 to €66.14 million in 2019. The change is mainly due to the increase in the cash and cash equivalents due to generation of cash during the year and partly to the resources from certain recent loans obtained.

Net working capital

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

(€'000)	at December 31, 2019 (b)	at December 31, 2018 (a)	Changes (b-a)
Inventories	21,256	21,998	(742)
Contracts in progress	0	86	(86)
Trade receivables	11,707	13,808	(2,101)
Income tax receivables	269	298	(29)
Other current assets	2,115	2,183	(68)
Current assets	**35,347**	**38,373**	**(3,026)**
Trade payables	(11,562)	(14,411)	2,849
Income tax liabilities	(1,182)	(1,571)	389
Other current liabilities	(7,713)	(6,784)	(929)
Current liabilities	**(20,457)**	**(22,766)**	**2,309**
Net working capital	14,890	15,607	(717)

Net working capital decreased by €0.72 million. This decrease is the result of the combined effect of decreased current assets and a lower decrease in current liabilities. More specifically, there were net decreases in inventories, contract work in progress and decreases in trade receivables in addition to a decrease in the liabilities relating to trade payables and income tax payables and an increase in other current liabilities. Net working capital as a percentage of turnover was 14.6%, significantly lower both than the figure predicted by the plan and the figure at year-end 2018, which was 19.7%.

Net financial position

The Group's financial position at 31 December 2019 shows a positive net cash position of €12.25 million, compared with €0.93 million at 31 December 2018.

Note that, effective 1 January 2019, the new IFRS 16 "Leases" standard was adopted, which establishes a new method of accounting for lease contracts (Right of Use), which must be recognised with a balancing entry in financial liabilities. Following the adoption of the new standard, greater financial liabilities were recognised at 31 December 2019 in the amount of €4.00 million; net of this effect, the net financial position would have been €16.25 million.
Comparing the values without the effect generated by IFRS 16, the Group strongly improved its net cash position. This improvement is mainly due to the positive effect of EBITDA for €20.53 million, with a negative change in working capital of €0.72 million and to the net investments in property, plant and equipment and intangible assets totalling €4.34 million.

Net financial debt is an indicator of the financial structure and is defined as the sum of "Long-term loans", "Current portions of long-term loans" and "Short-term loans", net of "Cash and cash equivalents" and financial receivables included in "Non-current financial assets" and in "Current financial assets". More generally speaking, net financial position (net financial debt) is determined by highlighting what is required in paragraph 127 of the CESR/05-054b recommendations that implement Regulation 809/2004/EC and in line with the CONSOB provisions of 26 July 2007 for defining net financial position after deducting the financial receivables and non-current securities.
The net financial position at the end of both periods is broken down in the schedule below.

(€'000)			at December 31, 2019	at December 31, 2018
Cash & cash equivalents		A	(30,687)	(13,196)
Cash equivalent		**B=A**	**(30,687)**	**(13,196)**
Other current financial assets		C	(108)	(104)
Derivative instruments		D	44	20
Short-term borrowing		E	7,001	8,125
Short-term financial position		**F=C+D+E**	**6,937**	**8,041**
Short-term net financial position		**G=B+F**	**(23,750)**	**(5,155)**
Medium/long term borrowing		H	11,590	4,312
Medium-/long-term net financial position		**I=H**	**11,590**	**4,312**
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions		J=G+I	(12,160)	(843)
Medium/long term borrowing allowed to affiliates companies and other Group		K	(89)	(87)
(NET FINANCIAL POSITION) NET DEBT	P	L=J+K	(12,249)	(930)

Existing financial liabilities of €14.35 million, plus current account overdrafts at year-end 2019 of €0.10 million, combine to form total debt toward banks of €14.45 million, of which €5.47 million is payable in the short term.
The debt resulting from the reporting of lease contracts (Right of Use) amounted to €4.0 million at the end of 2019.

At 31 December 2019, the Group had complied with all the financial covenants contained in the existing loan agreements.

(€'000)		at December 31, 2019	at December 31, 2018
Cash flow generated (used) in operations	A	20,909	10,577
Cash flow generated (used) in investment activities	B	(4,307)	(3,237)
Cash flow generated (absorbed) by financial assets	C	844	(905)
Net foreign exchange difference	D	45	16
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	17,491	6,451
Opening amount in cash & cash equivalents		**13,196**	**6,745**
Cash & cash equivalents at end of period		**30,687**	**13,196**

Owing to the actions taken compared to the previous year, operations showed cash generation of €20.91 million compared to €10.58 million in 2018.

Investment activity derives from the investments made in developing new products in the form of modules, embedded systems and Internet of Things (IoT) platforms, and internal investments in industrial, commercial and hardware equipment.

Finally, cash flows from lending activities were mainly due to the new loans to support investments made, offset by the reimbursement of short-term portions of medium-term loans.

Intragroup relations and transactions with related parties

Within the scope of transactions aimed at routine management of the business of the Eurotech Group and the search for new production and commercial synergies, the Group companies maintain reciprocal commercial relations whereby they sell products and services to some Group companies and buy products and services from the same Group companies. Relations between Group companies are governed by market conditions, taking into account the quality of the goods and services provided. The outstanding balances at the reporting date are not supported by warranties, do not generate interest (except loans) and are settled in cash. No warranties, whether given or received, exist in relation to related party receivables and payables. For the period ended 31 December 2019 the Group made no provision to a doubtful debt provision for sums owed by related parties, except for the €447 thousand write-down already made in 2010 on the receivable from affiliated company in liquidation Rotowi Technologies S.p.A. (formerly UTRI S.p.A.). This valuation is performed every year by examining the financial position of the related parties and the market in which they operate.
The Group companies also use the brands registered by the Parent Company. Specific contracts govern the uses of the brands.
Finally, some of the Group companies also have service relations with the Parent Company, which provides administrative, tax, corporate, business and strategic services for Eurotech Group subsidiaries. The reciprocal services and obligations between the subsidiaries and the Parent Company are governed by a specific master service contract.

Relations with related parties include transactions arising in the course of normal business and financial relationships with companies in which the Directors of the Company or its subsidiaries have senior positions, and up to 4 August 2019, relations with the Leonardo Group, which held 11.08% of the capital of Eurotech S.p.A. up to said date. These transactions are regulated under market conditions.

Information on related party transactions, as required by CONSOB Resolution no. 6064293 of 28 July 2006, are described in Note 34 of the consolidated financial statements.

Based on the information received from Group companies, no unusual or atypical transactions took place as defined by CONSOB in its notice no. 6064293 of 28 July 2006.

The schedule below shows information on equity investments held in the Company and its subsidiaries by members of the management and supervisory bodies, general managers and managers with strategic responsibilities as well as spouses not legally separated and children, directly or through subsidiaries, trust companies or third parties, taken from the shareholders' register, notifications received and other information acquired by the members of the management and supervisory bodies, general managers and managers with strategic responsibilities, pursuant to article 79 of Consob Regulation no. 11971/99 as subsequently amended.

		at December 31, 2019						
Name	Nomination	Company	Possessory title	Share at January 1 or appointment	Share acquired in the period	Share disposed in the period	Share at the end of the period	of which shares at the end of the period indirectly
Panizzardi Giuseppe	President up to October 15, 2019	Eurotech	-	-	-	-	-	-
Siagri Roberto	CEO up to November 13, 2019 and President and CEO from November	Eurotech	Ownership	461,770	56,000	(45,000)	472,770	316,770
Antonello Giulio	Director	Eurotech	-	-	-	-	-	-
Costacurta Riccardo	Director	Eurotech	-	-	-	-	-	-
Mio Chiara	Director	Eurotech	-	-	-	-	-	-
Mosca Giorgio	Director up to October 15, 2019	Eurotech	-	-	-	-	-	-
Paladin Dino	Director	Eurotech	Ownership	2,847,336	10,000	(2,857,336)	-	-
Pezzuto Carmen	Director	Eurotech	-	-	-	-	-	-
Pizzol Marina	Director up to October 15, 2019	Eurotech	-	-	-	-	-	-
Curti Susanna	Director from November 13, 2019	Eurotech	-	-	-	-	-	-
Fumagalli Aldo	Director from November 13, 2019	Eurotech	-	-	-	-	-	-
Marti Antongiulio	Director from November 13, 2019	Eurotech	-	-	-	-	-	-
Favaro Gianfranco	President of Board of Statutory Auditors	Eurotech	-	-	-	-	-	-
Briganti Laura	Statutory Auditor	Eurotech	-	-	-	-	-	-
Rebecchini Gaetano	Statutory Auditor	Eurotech	-	-	-	-	-	-

Reconciliation statement of results for the year and shareholders' equity

The schedule below shows the reconciliation of net income and consolidated shareholders' equity of the Issuer at 31 December 2019 and 31 December 2018:

(€'000)	Profit (Loss) 12/31/2019	Shareholders' Equity 12/31/2019	Profit (Loss) 12/31/2018	Shareholders' Equity 12/31/2018
Financial report of the Parent Company	8,377	149,717	30,610	140,617
Group share of shareholders' equity and pro-quota value in consolidated companies	11,845	(81,315)	4,113	(93,049)
Differential arising from consolidation		50,929		49,257
Trademark		8,684		8,415
Reversal of Impairment of equity transactions	51	-	(25,357)	-
Effect of valuing equity investments using th enet equity method	-	-	(6)	-
Elimination of unrealised internal profit on capitalizations	(67)	(320)	(89)	(253)
Exchange differences on equity investments in foreign companies	(725)	-	(1,645)	-
Stock option subsidiaries	(247)	-	(227)	-
Offset dividends	-	-	(1,704)	-
Tax effects on consolidation adjustments listed above	8	(3,039)	(13)	(2,945)
Consolidated financial statements	19,242	124,656	5,682	102,042

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

The Parent Company Eurotech S.p.A. held 440,020 treasury shares at the end of the reporting period. Treasury shares changed as follows in 2019:

	No. of shares	Face value of a share (Thousand of Euro)	% share capital	Carrying value (Thousand of Euro)	Average unit value
Status as at 1 January 2019	887,020	222	2.50%	2,083	2.35
Purchases	-	-	0.00%	-	
Sales	-	-	0.00%	-	
Assignment-Performance share Plan	(447,000)	(112)	-1.26%	(1,050)	2.35
Status as at 31 December 2019	440,020	110	1.24%	1,033	2.35

Investments and research and development

At 31 December 2019, technical investments (property, plant and equipment) in equipment and instruments amounted to €120 thousand, investments in property and other assets amounted to €419 thousand, investments to purchase user licenses, software and know-how amounted to €645 thousand. During the period, the Group invested in industrial research and development and technological innovation for new products and for improving current processes.
Research resulted in the development of new products/applications in the field of computers and embedded systems, high-integration and low-consumption computers, network appliances, software platforms and supercomputers. Research also led to improvements in the quality of products, the creation of new products, reduced manufacturing costs and a resulting increase in company competitiveness. During the period development costs for new products were capitalised for €2.41

million: 30.1% of said costs relate to the development of new hardware products based on the new ultra-low power architecture; 60.4% of said costs relate to software projects in the Edge computing segment and in the Internet of Things platforms; the remaining 9.5% approximately was used for a range of purposes in both hardware and software, including projects launched in previous years.

Main risks and uncertainties to which the Group is exposed

Risks connected to general economic conditions

The global macroeconomic situation affects the statement of financial position, business performance and financial status of the Group. The situation in most of the countries where the Group operates was positive in 2019, or at least recorded an improvement on the long ongoing recession stage that had involved the customer base and main markets up to 2017, with various effects depending on the geographic area. However, the most recent global events, with particular reference to the Covid-19 virus, could lead to a stagnating economy or even recession.
The Group's presence in various regions of the world however enables it to spread risk and to benefit from any positive situations arising in some regions in relation to or before other regions.
The Group's presence in sectors such as industrial, commercial and transportation, which are more affected by reduced consumption, may generate losses and risks of loss, above all in a scenario of considerable weakness of overall economic conditions.
Furthermore, leaving aside slow economic growth or recession, other economic conditions such as fluctuating raw material prices or their reduced availability or reduced spending on infrastructure may negatively affect the markets in which the Group operates, and may, in combination with other factors, have a significant impact on the Group's business outlook, operating performance and/or financial situation.
Developments in the Brexit process, and the political situations in certain European countries like Italy and Germany could represent elements of instability for the European economy.

Risks connected to exchange rate and interest rate fluctuations

The Eurotech Group operates at global level and has invested in countries such as the US, Japan and the UK, deriving cash flows from these countries that are not consistent. In addition, the individual foreign subsidiaries tend to operate on their respective core markets with the respective functional currencies. Owing to these considerations, exchange rate hedging operations are not carried out, despite the fact that the consolidated financial statements are constantly affected by exchange rate fluctuations when the financial statements of companies outside the Eurozone are translated.
The Group is exposed via medium-term, variable-rate loans, particularly in Europe and to a lesser extent in Japan. The Group uses hedging instruments to mitigate the effects of interest rate variations on loans.
Steep exchange rate or interest rate fluctuations may have an impact on the Group’s business performance and financial results.
For more information, see Note 35.

Risks connected to liquidity and required financial resources

In view of its current net financial position, the Group plans to meet requirements for expiring financial payables with available cash and cash flows from operations.
The Group believes that in order to generate positive cash flow its revenue levels must amount to at least as much as obtained in 2019 and continue to focus on operating costs in accordance with revenue levels.

The Group has to comply with financial parameters, particularly insofar as the net debt/EBITDA and debt/equity ratios. Failure to achieve the figures set out in loan agreements exposes the company to the risk of repayment or possible increased financial costs.
Group strategy is to maintain the available cash invested in at-sight or very short-term bank deposits, dividing the deposits between a sufficient number of selected banking counterparties operating in various regions.
Even if the Group has implemented measures designed to maintain adequate levels of working capital and cash, any contraction in sales volumes may have a negative effect on the cash-generating capacity of the Group's operational units. The Group may therefore find it necessary to arrange further loans and/or refinancing of existing debt, including in unfavourable market conditions, with a general reduction in available financing sources and higher costs. Any difficulties in raising such financing could have a negative effect on the Group's business outlook, as well as on its operational results and/or its financial position.

Risks connected to management

The Group's success largely depends on the ability of certain Executive Directors and other members of management to run the Group and the individual local entities efficiently. Loss of the services of an Executive Director or other key resources without adequate replacement, and any inability to attract and retain new and qualified resources, could have negative effects on the Group's outlook, business performance and operating and financial results.

Risks connected to competitiveness in the sectors in which the Group operates

With some exceptions, the Group's markets are competitive in terms of product quality, innovation, reliability and customer support.
The Group's success will depend on its ability to maintain and build on its share of the markets in which it operates and/or to expand into new markets with innovative products and high quality standards ensuring profit levels similar to those on its current markets.
In recent years competition has become more intense, particularly in terms of price, especially in the embedded boards and modules segment and to a lesser extent in ready-to-use systems and devices.
If the Group were not able to offer more competitive and innovative products than its competitors, the Group's market share could decline, with a negative effect on the profitability and operating and financial results of the Eurotech Group.

Risks connected to customers

In some regions, the Group operates with a limited number of customers. Due to this dependency on certain customers, the loss of these large customers or a significant reduction in the turnover generated from them could have a negative impact on the Group's sales revenues and profitability.
Generally speaking, these customers are not the end-users of our products. Any lack of success of products into which our products are incorporated, and any difficulty experienced by our customers in selling the products that we design or produce for them, could have a negative effect on sales and margins.
Adverse economic conditions in markets where our customers may sell or use our products would lead to a reduction in supplies to these customers. Some of these markets are characterised by intense competition, rapid technological change and economic uncertainty. The Group's exposure to economic cycles and related fluctuations in demand from these customers could have a negative effect on revenues and therefore on the Group's financial situation.
In addition, a decision by some customers to make the products supplied by us in-house would reduce supplies to these customers and therefore sales revenues and profitability.

Risks connected to environmental policy

The Eurotech Group's activities and products have to comply with national, community and international environmental legislation. This legislation is becoming increasingly stringent in the countries where the Group operates.
The potential risk to which the Group is subject relates to the processing of electric and/or electronic parts that, pursuant to new legislation, could become unusable in production or separately saleable.
The consequent disposal of such products, or of others that have become obsolete due to technological advances, incurs increasingly high costs.
In order to comply with legislation in force, the Eurotech Group envisages having to continue to sustain costs that may rise in future years.

Risks connected to relations with employees and suppliers

In some of the countries in which the Group operates, employees are subject to various laws and/or collective employment agreements that guarantee them – including by means of local and national representatives – the right to be consulted on certain questions, such as workforce reductions. Such laws and/or collective employment agreements applicable by the Group could affect Group flexibility in the redefinition and/or strategic repositioning of its operations. Any unagreed decisions could lead to problems in workforce management.
In addition, the Group acquires raw materials and components from numerous suppliers and depends on the services and products supplied by other companies external to the Group. Collaboration between producers and suppliers is normal in the segments in which the Group operates, and while this leads to economic benefits in the forms of reduced costs, it also means that the Group has to rely on these suppliers, with the consequent possibility that difficulties they experience (whether due to external or internal factors), including financial difficulties, could have negative repercussions on the Group's business outlook, as well as its operating results and/or its financial situation.

Risks connected to development activity

The Group conducts major research and development activities that can last for more than 24 months. Development activities believed to be capable of producing future benefits in terms of revenues are posted as intangible fixed assets. Not all development activities may lead to production at a level that allows for complete recoverability of the posted asset. When products related to capitalised development activities do not achieve the success expected, the impact on expected Group revenues and profits is determined, as well as whether the asset has to be written down.

Risks connected to the capacity to enrich the product portfolio and offer innovative products

The success of the Group's activities depends on its ability to maintain or increase its share on the markets in which it operates, and/or to expand into new markets with innovative products of a high standard of quality ensuring adequate profit levels. More specifically, if the Group were unable to develop and offer more innovative and competitive products than its main competitors, also in terms of price, quality and functionality, or if there were delays in the development of new innovative products, the Group's market share could contract, with a negative impact on the Group's business outlook as well as its operating results and/or financial situation.

Risks and uncertainties connected to goodwill and assets with an indefinite life

The Group carries out impairment tests on goodwill and other intangible assets with an indefinite useful life (trademarks), at least annually and during the course of the year if there are indications of loss in value. The test requires an estimate of the value in use of the cash generating unit to which the goodwill and other intangible assets with an indefinite useful life are attributed, based in turn on the estimated expected cash flows of the unit and on the discounting of these flows at an appropriate rate.
In view of the general macroeconomic picture and the key sectors in which the Group operates, there is intrinsic uncertainty in estimating the cash flows used to test the assets for impairment. This uncertainty could give rise to the risk of failure to write down goodwill and intangible assets with an indefinite useful life, due to possible overestimation of future cash flows.

Risks connected with the performance of the Group's operating results

This risk factor brings out the risks connected with investment in the Company's capital in consideration of the performance of the Group's operating result in recent years and of current conditions in certain markets.
It is difficult to foresee the Group's future performance in consideration of the sectors in which it operates. It is however evident that every external event, such as a significant drop in one of the major markets of relevant, the volatility of financial markets and the resulting deterioration of the capital market, the increase in cost of raw materials, unfavourable interest and exchange rate fluctuation, government policies, etc., might have a negative impact on the sectors in which the Group operates and negatively affect its prospects and activity, as well as affect its operating and financial results. The profitability of the Group's activities is also subject to risks tied to the fluctuation of interest rates, solvency and ability of the commercial counterparties to finance themselves, as well as to the overall economic conditions of the countries where the Group operates.

Disclosure on the environment and personnel

Although the Group does not carry out activities that could impact local areas or the environment, it has always tried to operate in line with national and international best practice, in accordance with the approaches of risk prevention and reducing and minimising environmental impacts.

The Eurotech Group has always paid close attention and been highly committed to the topic of employee safety, spreading a culture of safety within the organisation, minimising risk exposure in every activity and conducting activities to control, prevent and protect against risk exposure.
There have been no major work-related accidents at the Eurotech Group, and there is currently no risk of work-related illness.

Disclosure on sovereign exposure

Pursuant to CONSOB Communication DEM/11070007 of 5 August 2011 (relating to ESMA document 2011/266 of 28 July 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.

Process of simplifying the standards based on CONSOB resolution no. 18079/2012

Pursuant to article 3 of CONSOB Resolution no. 18079 of 20 January 2012, Eurotech adheres to the simplification procedure provided for by articles 70, paragraph 8, and 71, paragraph 1-bis of the

Regulations adopted by CONSOB with its resolution no. 11971 of 14 May 1999 as amended and supplemented, therefore benefiting from the right to derogate from the obligations to disclose information documents provided for by Annex 3B of the aforesaid CONSOB Regulations at the time of significant transactions concerning mergers, spin-offs, increases in capital by way of contributions in kind, purchases and sales.

Events after the reporting date

As everyone knows, and as expressed in Note 39, starting from January 2020, the national and international scenario was hit by the spread of the Coronavirus and the consequent restrictive measures taken by the public authorities in the affected countries to contain it. This is an extraordinary situation in terms of both nature and extent, and has direct and indirect repercussions on economic activities, creating a general context of uncertainty with no way of knowing how it will develop and what the effects will be. The potential effects of this on the financial statements cannot be currently determined and the situation will be constantly monitored over the course of 2020.
In any case, the solid financial situation of the Group as well as the consolidated relationships with primary customers suggests that there are sufficient elements to confirm the Group's business continuity.

There are no further events to note after the reporting date.

Report on corporate governance and ownership structure

The information required by article 123-bis, paragraphs 1 and 2 of Italian Legislative Decree no. 58 of 24 February 1998 as amended and supplemented can be found in Annex 1 of this report.

Off-statement of financial position Agreements

The information required by article 2427, paragraph 1 no. 9 of the Italian Civil Code is hereby given that the Group has no agreements not disclosed in the Statement of financial position.

Subsidiaries created and regulated according to the law of countries outside the European Union

The Board of Directors hereby declares that conditions for listing exist pursuant to article 36 of CONSOB Regulation no. 16191/2007 (the "Stock Market Regulation"). In this regard, note that at 31 December 2019 the subsidiaries created and regulated under the laws of countries outside the European Union, pursuant to article 36, paragraph 2 of the above Regulation, are the US companies Eurotech Inc. and E-Tech USA Inc. and the Japanese company Advanet Inc., and that the requirements set out in paragraph 1 of said article are met for these subsidiaries.

Competitive scenario, outlook and future growth strategy

Thanks to the integration and strengthened relations between the Group's various companies, the global positioning of individual subsidiaries, as well as the Group's statement of financial position and financial solidity, the outlook for 2020 and the years to come is positive, despite the uncertainties that arise from time to time in the market conditions in certain sectors.

The Group will pursue strategic development in 2020, along guidelines similar to those adopted in the last few years. The implementation of the strategic plan specifically includes the following actions:

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

EUROTECH S.p.A.

Report on corporate governance and ownership structure

pursuant to Art. 123-*bis* of the Consolidated Law on Finance (TUF)

Issuer: EUROTECH S.p.A.

Website: www.eurotech.com

Reporting period: 2019

Report approval date: 12 March 2020

CONTENTS

* * *

GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code for listed companies, approved by the *Corporate Governance* Committee in July 2018 and promoted by Borsa Italiana SpA, ABI, Ania, Assogestioni, Assonime and Confindustria; available online at www.borsaitaliana.it, under "Borsa Italiana - Regulations – *Corporate Governance*".

Civ. Code/ C.C.: the Italian Civil Code.

Board/Board of Directors: the Board of Directors of the Issuer.

Financial Year: the financial year to which the Report refers.

Eurotech, Issuer or Company: the issuer of listed shares to which the Report refers.

Stock Market Regulation Instructions: instructions for the regulation of the markets organised and managed by Borsa Italiana SpA.

MTA: the Mercato Telematico Azionario (screen-based equities market) organised and managed by Borsa Italiana SpA.

Stock Market Regulation: the regulation of the markets organised and managed by Borsa Italiana SpA. (as amended).

CONSOB Issuer Regulation: regulations issued by CONSOB with resolution 11971 in 1999 (as subsequently amended), relating to issuers.

CONSOB Market Regulation: regulations issued by CONSOB with resolution 20249 in 2017 (as subsequently amended), relating to markets.

CONSOB Related Party Regulation: regulation issued by CONSOB with resolution 17221 on 12 March 2010 (as subsequently amended), relating to transactions with related parties.

Report: the report on corporate governance and company structure that the companies are obliged to prepare, pursuant to Art. 123-*bis* of the TUF.

Remuneration Report: the remuneration report prepared in accordance with Article 123-*ter* of the TUF and Article 84-*quater* of the Consob Issuer Regulation.

Consolidated Law on Finance/TUF: Legislative Decree No 58 of 24 February 1998 (Consolidated Law on Finance).

To our Shareholders,

as Chairperson of the Board of Directors of Eurotech and on behalf of the Board, pursuant to Art. 123-*bis* of the TUF, I wish to provide you with the following information on the *corporate governance* system adopted by the Company in compliance with the principles set out in the Corporate Governance Code.

The following Annual Report will provide you with mandatory information regarding actual implementation of the Corporate Governance Code for the financial year ended 31 December 2019.

The information and data set out in this document will be updated annually by the Board of Directors, in the Reports for the following financial years.

1. ISSUER PROFILE

Eurotech is a "*global company*" based in Italy with operating locations in Europe, North America and Asia. The group is active in the research, development, construction and marketing of miniaturised computers (NanoPCs) and high-performance computers featuring high computing capacity (HPCs). The technological paradigm used by Eurotech is "*Pervasive Computing*", which combines three key elements: (1) miniaturisation of 'smart' devices, i.e. devices capable of processing information; (2) their spread in the real world – inside buildings and equipment, on board vehicles, worn by people, and disseminated in the environment; and (3) their ability to connect with each other in a network and communicating. NanoPCs and HPCs are the two major classes of devices that, by connecting to and cooperating with each other, form the pervasive computing infrastructure commonly known as the "*Cloud*" or "*Grid*". Eurotech is most active in the transport, defence, industrial and medical sectors. A common feature of many of our customers is that they are seeking a centre of technological expertise – and they often see in Eurotech a partner for innovating their products and their way of doing business. They want to reduce their *time-to-market* and focus on their core businesses. They often need solutions for harsh operating conditions and for *mission critical* applications, or supplies assured for long periods. In the HPC sector, Eurotech develops supercomputers aimed at advanced research institutes, computing centres and universities. These supercomputers are proving indispensable in advanced sectors such as nanotechnology, biotechnology and subatomic physics. We also expect to see a significant effect on the medical and industrial fields in the near future.

Eurotech is organised according to the traditional management and control model, with a Shareholders' Meeting, Board of Directors and Board of Statutory Auditors.

Note that the Issuer qualifies as an SME pursuant to Art. 1, paragraph 1, letter w-*quater*.1) of the TUF as from 2014, since it falls within the parameters set out in the above mentioned rules, as seen in the "SME" issuer of listed shares list published by Consob on its *website* at www.consob.it/web/area-pubblica/emittenti-quotati-pmi.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (PURSUANT TO ART. 123-*BIS*, PARAGRAPH 1, TUF) AS AT 31 DECEMBER 2019

a) Share capital structure

As at 31 December 2019, the share capital was €8,878,946.00, fully subscribed and paid up, divided into 35,515,784 ordinary shares with no nominal value. At the date of this Report, the share capital had not changed since the end of the financial year.

At the date of this Report, the Company holds 440,020 treasury shares, equivalent to 1.24% of the current share capital.

The shares are indivisible and dematerialised.

The classes of stock comprising the share capital are summarised in Table 1 attached to this Report.

Details and contents of the “2016 EUROTECH S.p.A. Performance Share Plan” are found in the relevant information document published on the website of the company (www.eurotech.com, Investors/Information for shareholders’ section).

b) Restrictions on the transfer of shares

There are no restrictions on the transfer of shares, limits on ownership or acceptance clauses of the Issuer or other owners.

c) Significant equity interests

Considering that the Issuer can be qualified as an SME, the threshold for notifying significant equity interests is 5% of the share capital with voting rights (see Art. 120, paragraph 2, last sentence, TUF).

As at 31 December 2019 and as of the date of this Report, Shareholders who directly or indirectly hold significant shares of the share capital of the Issuer through pyramid structures or cross holdings, according to the communications received pursuant to Art. 120 of the TUF, are the following:

SIGNIFICANT EQUITY INTERESTS

Reporting party	Direct Shareholder	% of ordinary capital	% of voting capital
Emera S.r.l.	Emera S.r.l.	17,72%	17,72%

d) Shares granting special rights

There are no shares which grant special control rights or special powers assigned to the shares.
The Bylaws of the Issuer contain no provisions regarding increased voting pursuant to Art. 127-*quinquies* of the TUF.

e) Employee shareholdings: voting mechanism

No system of employee shareholdings exists.

f) Restrictions on voting rights

There are no restrictions on voting rights.

g) Shareholder agreements

To the Issuer’s knowledge, as at 31 December 2019 there was an agreement between the Company's shareholders, with relevant content pursuant to Article 122 of the TUF.

On 1 July 2019, Albe Finanziaria S.r.l., Bluenergy Group S.p.A., Mitica S.r.l., New Industry S.r.l., Luca Cristian Macchi, Riccardo Benedini, Carlo Brigada, Eloisa Gandolfi, Dante Gandolfi and Manfredi de Mozzi, (jointly, the "**Parties to the Agreement**") signed an agreement (the "**Investment Agreement**") concerning the investment in Emera S.r.l ("**Emera**"), in order to provide the same with the necessary and appropriate financial means to make certain investments in shares of companies listed on the MTA, to be identified subsequently (the "**Targets**"). On 2 July 2019, the Parties to the Agreement and Emera signed a shareholders' agreement (the "**Agreement**") relating to Emera, containing certain shareholders' agreements relating to the Targets.

On 3 July 2019, in execution of the Investment Agreement, Emera purchased 2,847,336 ordinary shares of Eurotech, representing 8.017% of the Issuer's share capital and voting rights. The settlement of this purchase took place on 4 July 2019. Therefore, from the date of acquisition of the aforementioned shareholding by Emera, the provisions of a shareholder nature contained in the Agreement and relating to the Targets apply to the Issuer.

On 2 August 2019, Emera purchased a further 3,936,461 ordinary shares of the Issuer, representing 11.084% of the Issuer's share capital. The settlement of this purchase took place on 5 August 2019.

On 6 August 2019, Emera sold off-market 1,080,000 ordinary shares of the Issuer, representing 3.041% of the Issuer's share capital, in execution of a placement mandate signed between Emera and Mediobanca - Banca di Credito Finanziario S.p.A. on 1 August 2019.

In October 2019, Emera purchased a further 591,162 ordinary shares of the Issuer, representing 1.665% of the Issuer's share capital.

On 13 November 2019, in consideration of Emera's changed ownership structure resulting from paid capital increases approved by the Emera Shareholders' Meeting, the Parties signed an amending agreement (the "**Addendum**") to the Agreement.

In particular, the Addendum (i) amended certain provisions concerning the appointment of the members of the Board of Directors of the Targets, and (ii) provided for the establishment of an advisory committee, which will meet - inter alia - in order to share reflections and considerations on the performance of Emera's investment in the Targets capital.

The shareholders' agreements contained in the Agreement, as amended by the Addendum, are relevant agreements pursuant to Article 122, paragraph 1 and paragraph 5, letters a) and b) of the TUF.

As at the date of signing the Addendum, 6,294,959 ordinary shares of the Issuer, representing approximately 17.724% of the share capital and voting rights of the Issuer, are covered by the Agreement.

The key information on the shareholders' agreement is published on the website of the Company at www.eurotech.com/it – Investors/Corporate Information/Corporate Documents section.

h) Change of control clauses and statutory provisions relating to PTOs

The Issuer and its subsidiaries have not entered into other significant agreements that take effect, are amended or terminate upon a change of control of the contracting company.

The Issuer’s Bylaws do not depart from the passivity rule provisions pursuant to Art. 104, paragraphs 1 and 1-*bis* of the TUF, and do not require application of the neutralisation rules envisaged in Art. 104-*bis*, paragraphs 2 and 3 of the TUF.

i) Powers to increase the share capital and authorisations for the purchase of treasury shares

During the year, the Board of Directors was not granted powers to increase the share capital, pursuant to Art. 2443 of the Italian Civil Code, or to issue equity instruments.

The Ordinary Shareholders' Meeting of Eurotech on 30 April 2019 resolved, subject to revocation of the authorisation taken by the Shareholders' Meeting held on 20 April 2018, to:

(i) authorise the purchase and sale of treasury shares, pursuant to and in accordance with Articles 2357 and 2357-*ter* of the Italian Civil Code, as well as Article 132 of the TUF and the applicable regulatory provisions, for the purposes indicated in the Report by the Board of Directors, and specifically:

1. to authorise, pursuant to and in accordance with Art. 2357 of the Italian Civil Code, the purchase, in one or more tranches, during a period of eighteen months from the date of the resolution by the ordinary

Shareholders' Meeting, of ordinary Eurotech shares that, taking into account the ordinary Eurotech shares held at any time by the Company and its subsidiaries, does not in total exceed the upper limit set out under applicable laws in force, at a price no higher than the highest price between the last independent transaction and the price of the highest current independent offer at the trading venues where the purchase is made, provided that the unit price is no lower than 15% less and no higher than 15% more than the official price recorded by the Eurotech share on the stock market trading day preceding each purchase transaction, in accordance with the trading conditions and restrictions established in Articles 3 and 4 of the Delegated Regulation (EU) 2016/1052;

2. to authorise the Board of Directors, and its Chairperson and Chief Executive Officer on its behalf, also separately, to purchase the shares under the conditions and for the purposes explained above, at the pace deemed most advantageous for the company and through the methods established in the applicable provisions of CONSOB Issuer Regulation 11971/1999 (as subsequently amended), as required by Art. 132 of the TUF, in compliance with the conditions and restrictions relating to trading pursuant to Articles 3 and 4 of the Delegated Regulation (EU) 2016/1052, conferring the broadest possible powers to carry out share purchase transactions pursuant to the resolution, as well as any other formality related to these purchases, including the delegation of tasks to intermediaries authorised pursuant to law and with the power to appoint special attorneys;

3. to authorise the Board of Directors, and the Chairperson and Chief Executive Officer on its behalf, also separately, conferring the broadest possible powers to carry out the disposals pursuant to the resolution, as well as any other formality related to these purchases, including the delegation of tasks to intermediaries authorised pursuant to law and with the power to appoint special attorneys so that, pursuant to and in accordance with Art. 2357-*ter* of the Italian Civil Code, they may sell treasury shares purchased on the basis of the resolution or in the company portfolio at any time, all or in part, all together or in several times, without time limits, also before having sold out, (i) by assignment to the beneficiaries of the "*2016 Eurotech S.p.A. Performance Share Plan*", within the terms and at conditions set forth in the plan itself; (ii) if necessary, use treasury shares as consideration in extraordinary transactions, including equity exchange with other parties, in transactions carried out in the interest of the Company; (iii) if necessary, allocate treasury shares in excess with respect to those actually used to service the "2016 Eurotech S.p.A. Performance Share Plan", to other purposes permitted by the legislation in force in the interest of the Company or, in any case, sell them on- or off-market, potentially also by selling real and/or personal rights, including but not limited to securities lending, in compliance with the legal and regulatory provisions currently in force and for the purposes set out in this resolution, using the terms, methods and conditions of disposal of the treasury shares deemed most advantageous for the Company; provided that (a) disposals carried out as part of extraordinary transactions, including equity exchanges with other parties, may take place at the price or value that is congruous and in keeping with the transaction, according to the characteristics and nature of the transaction and also taking account of market performance; and (b) disposals of the treasury shares of the "2016 Eurotech S.p.A. Performance Share Plan" take place under the terms and conditions envisaged by said plan; the authorisation related to this point is granted without time limits;

ii) to ensure, in accordance with the law, that the purchases covered by this authorisation do not exceed the limits of distributable earnings and available reserves as recorded in the most recent annual report (also interim) approved at the time the transaction is carried out, and that, at the time of the purchase and sale of treasury shares, the necessary accounting information has been recorded, in compliance with the applicable laws and accounting standards.

At the date of this Report, the Company owns 440,020 treasury shares, equivalent to 1.24% of the share capital (amounting to € 8,878,946.00, divided into 35,515,784 ordinary shares). The value of these shares is recorded in the financial statements at € 1,033,189.73.

l) Management and Co-ordination

Eurotech is not subject to management and coordination pursuant to Art. 2497 et seq. of the Italian Civil Code.

***

For further information, pursuant to Art. 123-*bis* of the TUF, notice is hereby given that:

- information required by Art. 123-*bis*, paragraph 1, letter i) relating to agreements between the Company and the Directors that provide for compensation in the event of resignation or dismissal without just cause or in the event that the employment relationship ends due to a public purchase offer, is provided in Section 9 of the Report and in the remuneration report prepared pursuant to Art. 123-*ter* of the TUF and Art. 84-*quater* of the CONSOB Issuer Regulation available in accordance with legal requirements, on the Company's website www.eurotech.com in the "Investors" section";
- information required by Art. 123-*bis*, paragraph 1, letter l) relating to the appointment and replacement of Directors and amendments to the Company Bylaws, where these differ from the applicable laws and regulations as supplemented, is provided in Section 4.1 of the Report;
- information required by Art. 123-*bis*, paragraph 2, letter b) relating to the main features of the risk management and internal control systems is provided in Sections 10 and 11 of the Report;
- information required by Art. 123-*bis*, paragraph 2, letter c) relating to information on the operational mechanisms of the Shareholders' Meeting, its main powers, shareholder rights and how these are exercised, is provided in Section 16 of the Report;
- information required by Art. 123-*bis*, paragraph 2, letter d) and d-*bis*) relating to information on the composition and functioning of the management and supervisory bodies and their committees is provided in Sections 4, 6, 7, 8, 10, 13 and 14 of the Report.

3. *COMPLIANCE*

Eurotech has adopted the Corporate Governance Code by basically adapting to the principles contained therein, according to what is specified hereunder in this Report. The Code is available to the public on the website of Borsa Italiana at the address https://www.borsaitaliana.it/comitato-corporate-governance/codice/2018clean.pdf.

Eurotech will apply the Corporate Governance Code, approved by the Corporate Governance Committee in January 2020, starting from the first financial year starting after 31 December 2020 and, therefore, from 1 January 2021 (informing the market in the Corporate Governance Report for 2021 to be published during 2022).

Eurotech and its subsidiaries are not subject to non-Italian legal provisions that influence the Company's corporate governance structure.

4. BOARD OF DIRECTORS

4.1. *Appointment and replacement*

Pursuant to Art. 14 of the Bylaws, the Board of Directors has no less than five and no more than eleven members. The Ordinary Shareholders' Meeting determines their number at the time of appointment. If the number of Directors has been set at a level lower than the maximum limit, the Shareholders' Meeting may increase this number during the Board's term. Directors must satisfy the requirements envisaged by law and other applicable measures, and a minimum number of Directors, corresponding to the legal minimum, must satisfy the independence requirements envisaged in Art. 148, paragraph 3 of the TUF, as well as in Art. 3 of the Code.

With reference to the rules on the balance between genders in the composition of the administrative (and control) bodies, the regulatory framework of reference has recently been modified as a result of two legislative interventions:

a) Conversion Law No 157/2019 of Legislative Decree 124/2019 (Article 58-*sexies*), amended - with effect from 25 December 2019 - Article 147-*ter*, paragraph 1-*ter* (and Article 148) of the TUF, extending the period of application of the rules on the balance between genders from three to six consecutive terms;

b) Budget Law No 160/2019, in force since 1 January 2020, in paragraphs 302-304 of Article 1, has confirmed the validity of the rules on the balance of six consecutive terms of office and has established that the least represented gender must represent at least two fifths of the elected members, instead of the previous quota of a third.

The new criterion of apportionment of at least two fifths applies from the first renewal of the administrative (and/or control) body following the date of entry into force of the law and, therefore, from the renewal at the next Shareholders' Meeting called to approve the financial statements as at 31 December 2019.

Note that, since it is listed on the STAR Segment of the MTA, the Issuer is obliged to have a sufficient number of Independent Directors on its Board of Directors in order to continue to qualify, and therefore to fulfil the criteria established by Art. IA.2.10.6 of the Stock Market Regulation, which make provision for: at least two Independent Directors for Boards of Directors with up to eight members; at least three Independent Directors for Boards of Directors with 9 to 14 members; and at least four Independent Directors for Boards of Directors with more than 14 members.

The Directors serve for a term of three years, expiring on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term. They may be re-elected at the end of their mandate.

Art. 14 of the Company Bylaws in force stipulates a list voting system for the appointment of Directors. The lists must be presented by shareholders following the procedures specified below, in which the candidates are listed in numerical order.

The lists that are submitted and signed by the shareholders must be lodged with the registered office of the Company and made available to anyone who requests them, at least 25 days before the single call of the Shareholders’ Meeting, and will be subject to other forms of notice and filing methods in accordance with the laws in force. In particular, at least 21 days before the date of such meeting, the lists are made available to the public at the registered headquarters, on the Company's website and in any other manner set out in the CONSOB Regulation.

Shareholders, including those party to shareholders’ agreements pursuant to Art. 122 of the TUF, the Parent Company, subsidiaries, and companies subject to joint control pursuant to Art. 93 of the TUF, must not, directly, or through an intermediary or a trust company, submit more than one list or participate in the preparation of more than one list, and must not vote for different lists. Candidates are restricted to one list only, on penalty of disqualification. Acceptances and votes cast in breach of this rule will not be assigned to any list.

Only those shareholders who, either alone or together with other shareholders submitting lists, own a total of voting shares that represent at least 2.5% of the voting capital at the Ordinary Shareholders’ Meeting, or representing any other percentage established by legal and regulatory provisions, may submit lists. By Management decision No 28 of 30 January 2020 of the Head of the Corporate Governance Division, CONSOB set the minimum equity interest for submitting lists of candidates for the election of the Issuer’s Board of Directors at 4.5% of the share capital.

Each list must be filed by the above deadlines, together with the following documentation:

(i) statements in which the individual candidates accept their candidacy and certify, under their own responsibility, that there are no grounds for their ineligibility or incompatibility, and that they satisfy the requirements for the respective positions;

(ii) a *curriculum vitae* setting out the personal details and professional qualifications of each candidate, indicating any reasons why the candidate qualifies as independent.

Lists containing a number of candidates equal to or greater than three must be formed by candidates belonging to both genders, so that the gender less represented in complies with the quota provided for by the above provisions.

Proof of ownership of the equity interest required for submission of the list is declared according to the terms and methods provided for in the laws and regulations currently in force.

Lists not submitted according to the above rules shall be considered null and void.

The Board of Directors shall be elected as follows:

a) all Directors to be elected but one shall be taken from the list receiving the highest number of votes, and they shall be elected in the numerical order of listing;

b) the remaining Director is taken from the minority list with no direct or indirect links with the shareholders submitting or voting for the list described in point a) above and receiving the second highest number of votes. If the minority list referred to in point b) does not receive a percentage of votes that is at least equal to one half of those required for submitting the lists, pursuant to Art. 14.3 of the Bylaws, all the Directors to be elected shall be taken from the list referred to in point a).

If the candidates elected using the methods described above do not ensure the appointment of the minimum number of Directors fulfilling the independence requirements established for Statutory Auditors by Art. 148, paragraph 3 of the TUF prescribed by law in relation to the total number of Directors, the non-independent candidate elected last in numerical order on the list receiving the greatest number of votes, pursuant to point a) above, will be replaced by the first independent unelected candidate in numerical order on the same list, or, failing this, by the first independent unelected candidate in numerical order on the other lists, according to the number of votes obtained by each list. This procedure shall be applied until the Board of Directors comprises a number of members that complies with the requirements set out in Art. 148, paragraph 3 of the TUF, equal to at least the minimum prescribed by law. Finally, if this procedure does not ensure the final result indicated above, the vacant position shall be filled by shareholders' resolution passed with a relative majority, following the submission of candidates satisfying the aforementioned requirements.

Moreover, if the election of candidates according to the aforementioned procedures does not ensure that the composition of the Board of Directors complies with the requirements in force concerning balance between genders, the candidate of the more represented gender elected last in progressive order on the list that won the highest number of votes shall be replaced by the first candidate of the less represented gender not elected on the same list in progressive order. This replacement procedure shall be followed until it is ensured that the composition of the Board of Directors complies with the regulations in force on balance between genders. Finally, if this procedure does not ensure the final result indicated above, the vacant position shall be filled by Shareholders' resolution passed with a relative majority, following the submission of candidates belonging to the less represented gender.

If a single list is submitted or if no list is submitted, the Shareholders' Meeting shall pass a resolution by legal majority, without complying with the procedure described above, without prejudice to compliance with regulations in force concerning balance between genders.

If one or more Directors' positions become vacant during the year, and providing that the majority of the remaining Directors were elected by the Shareholders' Meeting, the following provisions of Art. 2386 of the Italian Civil Code apply:

a) the Board of Directors shall fill the vacant positions with individuals on the list from which the departing Director was elected, and the Shareholders' Meeting shall pass a resolution with a legal majority, in compliance with the same criterion;

b) if the aforementioned list does not contain any more candidates who have not been previously elected or candidates satisfying the envisaged prerequisites, or if it is not possible for any reason to comply with the provisions of point a) above, the Board of Directors shall fill the vacancy as the Shareholders’ Meeting shall subsequently decide, by legal majority without a voting list. In any event, the Board of Directors and the Shareholders' Meeting shall appoint replacements in order to ensure the presence of as many Independent Directors as necessary to comply with regulations currently in force and observance of the balance between genders regulations in force. If the majority of Directors appointed by the Shareholders’ Meeting resign or leave office for other reasons, the remaining Directors must call a Shareholders’ Meeting to fill the vacant positions.

If one or more Directors’ positions are vacated during the year, the provisions of law shall apply to their replacement if the Shareholders’ Meeting does not resolve to reduce the number of Directors set in accordance with the aforementioned procedures. If the majority of Directors appointed by the Shareholders’ Meeting resign or leave office for other reasons, the remaining Directors must call a Shareholders’ Meeting to fill the vacant positions.

In accordance with the provisions of Art. 14.2 of the Company Bylaws, the current Directors satisfy the applicable regulations or legislation.

Plans for the succession of the Executive Directors

Considering the Issuer's size and organisational structure, as well as the practice to appoint the office of Executive Director to parties who have gained significant experience with the Company, the Board of Directors, during its meeting on 12 March 2020, considered that at present it is unnecessary to adopt a plan for the succession of the Executive Directors, however reserving the right to make further assessments in the future.

Amendments to the Company Bylaws

Amendments to the Company Bylaws must be made by resolution of the Extraordinary Shareholders' Meeting through a legal majority vote.

Pursuant to Art. 19 of the Bylaws, the Board of Directors is responsible for passing resolutions on the following matters, in compliance with Art. 2436 of the Italian Civil Code: (i) simplified mergers and demergers, pursuant to Art. 2505, 2505-*bis*, 2506-*ter*, final paragraph of the Italian Civil Code; (ii) relocation of the Company's registered office within Italy; (iii) capital reductions in the event of redemption; and (iv) updating the Company Bylaws to comply with regulatory provisions, without prejudice to the fact that these resolutions may also be adopted by the Extraordinary Shareholders' Meeting.

4.2. *Composition*

The Board of the Issuer was appointed by the Shareholders' Meeting held on 26 April 2017, which decided that the number of members of the management body would be 9 (nine).

The Board of Directors was appointed on the basis of the single list presented by the shareholder Leonardo S.p.A., also in the name and on behalf of the shareholder Roberto Siagri and Dino Paladin, pursuant to the current Bylaws in force and in compliance with the provisions of the shareholders' agreement in force between Leonardo S.p.A., Dino Paladin and Roberto Siagri governing the presentation of the majority list for the election of the corporate bodies of Eurotech by the Ordinary Shareholders' Meeting of 26 April 2017; this list obtained 9,659,666 favourable votes, equal to 96.503% of the voting capital.

It should be noted that on 7 August 2019 the Director and Chairperson of the Board of Directors Giuseppe Panizzardi and the Directors Giuseppe Mosca and Marina Pizzol resigned with effect from 15 October 2019.

On 13 November 2019 the Board of Directors co-opted Susanna Curti, Aldo Fumagalli and Antongiulio Marti as members of the Board. Furthermore, at the same sitting, Mr Roberto Siagri, former Vice Chairperson in office, was appointed Chairperson.

For more information about the lists filed for the appointment of the management body, please refer to the Company's website at www.eurotech.com in the Investors section, where the curricula vitae of the Directors are also made available.

The Board of Directors will remain in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2019.

Table 2 attached to this Report lists the members of the Board of Directors in office at the date of this Report, and provides information on the position held and the date this position was assumed; it also indicates whether the Director is non-executive or independent, the Director's percentage attendance in Board meetings and the number of director/auditor positions held by each Director in other companies listed on regulated markets (including abroad), in financial companies, banks, insurance companies or large companies.

Diversity criteria and policies

With regard to the composition of the Board of Directors in office with regard to factors such as age, gender, education and professional background (Art. 123-*bis*, letter d-*bis*, TUF), it is specified that: (i) the Company's Board of Directors includes three Directors belonging to the lesser represented gender, in compliance with regulations on gender balance; (ii) the Board is characterised by the diversity of its members, taking into account that the age of the Directors is between 36 and 66 years; (iii) the education and professional path of Directors currently in office guarantees a balanced combination of profiles and experience within the management body, suitable for ensuring the proper performance of the functions assigned to it.

In this regard, reference is also made to the Board's self-assessment and the results thereof, as described in Section 4.3 below.

The Board of Directors, in the explanatory report prepared pursuant to Art. 125-*ter* of the TUF, relating to the appointment of the Board of Directors and the Board of Statutory Auditors by the Shareholders' Meeting called to approve the financial statements as at 31 December 2019, will include the indications for shareholders - also pursuant to Criterion 1.C.1. letter h) of the Corporate Governance Code - regarding the diversity policy in the composition of the Company's corporate bodies.

Maximum number of positions allowed in other companies

All members of the Board of Directors are required to take decisions in an informed, independent manner with the aim of creating value for shareholders, and are committed to dedicating the time necessary to discharge their functions diligently. Accordingly, each candidate for a Director’s position shall first determine whether he/she can discharge the assigned duties with due care and effectiveness when accepting a position at the Company, particularly in view of the number of director/statutory auditor positions held at other companies listed on regulated markets in and outside Italy, in financial companies, banks, insurance companies, or large companies, and the overall commitment required by these other positions. Each member of the Board of Directors must also inform the Board of Directors if he/she has accepted positions as director or statutory auditor in such companies, so that full disclosure thereof may be provided in the annual report on operations.

The Board of Directors does not deem it necessary to impose preset limits on numbers of positions held by Eurotech Directors in the management and supervisory bodies of other companies. It is understood, however, that it is the duty of each Director to assess whether director/auditor positions held in other companies listed on regulated markets, financial, banking, insurance or large-scale companies is compatible with diligent performance of the tasks assumed as a Director of Eurotech.

It should be noted that at its meeting of 6 March 2020, the Board, after reviewing the positions currently held by board members in other companies, decided that the number and nature of these positions do not interfere and are compatible with the effective performance of their roles as Directors of the Issuers.

The following table shows the positions held by Eurotech Directors at the date of this Report in other listed companies and in financial, banking, insurance or large-scale companies in accordance with Application Criterion 1.C.2. of the Corporate Governance Code:

Surname and First name	Company	Management and supervisory positions
Panizzardi Giuseppe (In office until 15/10/2019)	Eurotech S.p.A.	Chairperson of the Board of Directors
	World's Wing S.A.	Director
	BredaMenarinibus S.p.A.	Chairperson of the Board of Directors
	Leonardo International S.p.A.	Director
Antonello Giulio	Eurotech S.p.A.	Independent director
	Auriga Partners S.A.	Director
	Reno de Medici S.p.A.	Independent director
	Azienda Agricola Riserva San Massimo	Chairperson of the Board of Directors
	Financiere Phone 1690 S.A.	Director
Costacurta Riccardo	Eurotech S.p.A.	Independent director
Mio Chiara	Eurotech S.p.A.	Independent director
	Crédit Agricole Friuladria S.p.A.	Chairperson of the Board of Directors
	Danieli & C. Officine Meccaniche S.p.A.	Director
	O.V.S. S.p.A.	Director
	Servizi Italia S.p.A.	Director
	Piovan S.p.A.	Director
	Corà Domenico & Figli S.p.A.	Director
	Mcz Group S.p.A.	Director
	Bluenergy Group S.p.A.	Director
Mosca Giorgio (In office until 15/10/2019)	Eurotech S.p.A.	Director
Dino Paladin	Eurotech S.p.A.	Director
	Ditta Dott. Dino Paladin	Owner
Pezzuto Carmen	Eurotech S.p.A.	Independent director
	Safilo Group S.p.A.	Chairperson of the Board of Statutory Auditors
	Piovan S.p.A.	Chairperson of the Board of Statutory Auditors
	Safilo S.p.A.	Statutory Auditor
	Safilo Industrial S.r.l.	Statutory Auditor
	Forno D'Asolo S.p.A.	Statutory Auditor
	Buona Compagnia Gourmet S.r.l.	Statutory Auditor
	Gradiente Sgr S.p.A.	Statutory Auditor
	Pixartprinting S.p.A.	Statutory Auditor
	Isoclima S.p.A.	Statutory Auditor
	Compar S.p.A.	Statutory Auditor
	Aquafin Holding S.p.A.	Statutory Auditor
	Forno della Rotonda S.p.A.	Statutory Auditor
	S.P.A.R. S.r.l.	Statutory Auditor

	Santa Margherita S.p.A.	Substitute Statutory Auditor
	Ca' del Bosco S.r.l.- Azienda Agricola	Substitute Statutory Auditor
	S.M. Tenimenti Lamole e Vistarenni e San Disdagio S.r.l.	Substitute Statutory Auditor
	Zignado Holding S.p.A.	Substitute Statutory Auditor
	Exo Automotive S.p.A.	Substitute Statutory Auditor
	Aquaspace S.p.A.	Substitute Statutory Auditor
	Borgolon S.p.A.	Substitute Statutory Auditor
	Multitecno S.r.l.	Substitute Statutory Auditor
	M31 S.p.A.	Substitute Statutory Auditor
	Tessilquattro S.p.A.	Substitute Statutory Auditor
	Alessi Domenico S.p.A.	Substitute Statutory Auditor
	Ca' Maiol S.r.l. - Azienda Agricola	Substitute Statutory Auditor
	Lizzi S.r.l.	Substitute Statutory Auditor
	Fratelli Ceni S.p.A.	Substitute Statutory Auditor
	Ca' del Bosco Hospitality S.r.l. (formerly Corte Servizi S.r.l.)	Substitute Statutory Auditor
	Ca' del Bosco S.r.l. - Azienda Agricola (formerly Lupo S.r.l.)	Substitute Statutory Auditor
	Ordine dei Dottori Commercialisti ed Esperti Contabili di Padova	Director
	Fondazione dei Dottori Commercialisti ed Esperti Contabili di Padova	Director
	Lucy's Line S.r.l.	Independent Auditor
Pizzol Marina (In office until 15/10/2019)	Eurotech S.p.A.	Director
	Eurofighter Simulation Systems GmbH	Representative of the Shareholders' Meeting
Siagri Roberto	Eurotech S.p.A.	Chairperson and Chief Executive Officer
	Eth Lab S.r.l.	Chairperson of the Board of Directors and Chief Executive Officer
	Aurora S.r.l.	Chairperson of the Board of Directors and Chief Executive Officer
	Advanet Inc.	Director
	Eurotech Inc.	Chairperson of the Board of Directors
	Eurotech France S.A.	Chairperson of the Board of Directors
	E-Tech USA Inc.	Chairperson of the Board of Directors
	Nextra Gen S.r.l.	Sole Director
	Comet S.c.a.r.l.	Director
	Ditedi - Distretto industriale delle Tecnologie Digitali S.c.a.r.l.	Director
Curti Susanna	Eurotech S.p.A.	Director
	Bluenergy Group S.p.A.	Chairperson of the Board of Directors

	C.I. EL Impianti S.r.l. GAS Sales S.r.l. C.G.I. S.r.l. EMERA S.r.l.	Vice Chairperson of the Board of Directors Executive Director Chairperson of the Board of Directors Director
Marti Antongiulio	Eurotech S.p.A. EMERA S.r.l.	Director Director
Fumagalli Aldo	Candy S.P.A. C.E.A. Compagnie D'exploitations Agricoles - S.R.L. Capodimonte Srl Societa' Agricola Albe Finanziaria S.R.L. Beldofin S.R.L. Emera S.R.L. Alisei Forinvestments S.R.L. Eurotech S.P.A.	Director Executive Director Director Executive Director Executive Director Director Sole Director Director

Induction Programme

The characteristics of board reporting enable the Directors to obtain adequate knowledge of the field of activity in which the Issuer operates, of the company dynamics and their evolution, as well as the relevant regulatory and control framework.

The Chairperson encourages the Directors to attend the meetings of the Board of Directors and Shareholders' Meetings, and promotes initiatives designed to enhance their knowledge of the situation and dynamics of the business, such as face-to-face meetings with key Group managers.

On 29 January 2020 a meeting was held with all Board of Directors and Board of Statutory Auditors members, as well as some employees of the Parent Company - in which the strategic *business* issues, growth opportunities and potential of the Group were discussed. The meeting lasted for 6 hours.

4.3. *Role of the Board of Directors*

The Board of Directors plays a key role in the Company organisation. It develops and is responsible for strategic and organisational policies and verifies the existence of the controls necessary for monitoring performance of the Company and of companies of the Eurotech Group.

The Board of Directors is vested with full authority for Company management and may accordingly resolve or carry out all those acts deemed necessary or useful for implementation of the corporate purpose, with the exception of what is reserved by law or the Company Bylaws for the Shareholders' Meeting.

The Board of Directors is also responsible for resolving on the following matters, in compliance with Art. 2436 of the Italian Civil Code:

(i) simplified mergers and demergers, pursuant to Art. 2505, 2505-*bis*, 2506-*ter*, final paragraph of the Italian Civil Code;

(ii) establishment or closure of branch locations;

(iii) relocation of the Company's registered office within Italy;

(iv) indicating which Directors have been made legal representatives;

(v) reducing the share capital following redemption;

(vi) amending the Company Bylaws in line with regulatory provisions,

without prejudice to the fact that these resolutions may also be taken by the Extraordinary Shareholders' Meeting.

The Board of Directors has also assumed exclusive responsibility, without prejudice to matters that cannot be delegated by law, for the following matters:

- examining and approving the strategic, business and financial plans of the Company and the corporate structure of the group that it heads; specifically, this includes examination and approval of the business plan and annual investment budget, as well as additions and/or changes to the same documents in an amount exceeding 20% of what was originally envisaged;
- monitoring general operating performance; while carrying out this function, the Board of Directors carefully assesses potential conflicts of interest, considers the information received from the Chief Executive Officers and periodically compares the results achieved with budget targets;
- monitoring the adequacy of the general organisational and administrative structure of the Company and Group put in place by the Chief Executive Officers;
- approval and amendment of the basic organisational structure of the Company and Group;
- programmes and proposals for new investments for amounts exceeding:
  - €500,000.00 for each investment in stationary plants
  - €1,000,000.00 for each multi-year investment in research and development;
- sale and purchase of know-how;
- examining and approving transactions having a specific impact on operating results, equity and the financial position pursuant to the CONSOB regulations governing listed companies;
- purchase and sale of equity investments, mergers, transformations, demergers and/or transfers of holdings and business units. An equity investment for operating needs in consortia or consortium companies does not fall within the aforesaid requirement. Increases in capital of companies already held that involve an investment of less than €100,000 and that do not involve increasing the share held are excluded;
- capital transactions, transformation, listing on the stock market, merger, spin-off, liquidation, execution of shareholders' agreements regarding direct subsidiaries;
- hiring, appointment or dismissal of executives and determination of their wages as regards Eurotech S.p.A. and the Italian subsidiaries;
- hiring, appointment or dismissal of the Chief Executive Officers (CEO) of foreign subsidiaries and determination of their wages;
- purchasing or selling property assets;
- entering into receivable and payable loan agreements even with subsidiaries, affiliates and other companies over the medium and long term and assuming lines of credit with any technical form of use for amounts exceeding €3,000,000.00 for each transaction;

- issuing fidejussory bonds and/or secured guarantees for third parties for amounts exceeding €3,000,000.00 for each transaction.

During the year the Board, in line with the recommendations of the Code:

- examined and approved the strategic, business and financial plans of the Issuer and the Group that the Issuer heads; and monitored their implementation;
- examined and approved the corporate governance system of the Issuer and the structure of the Group that the Issuer heads, drafting and adopting the Company's corporate governance rules and the Group's governance guidelines;
- assessed the adequacy of the organisational, administrative and general accounting structure of the Issuer and the strategically important subsidiaries put in place by the Chief Executive Officer, with a particular focus on the internal control system and the management of risks according to the procedures adopted by the Issuer in this regard. In carrying out these activities the Board received, according to individual cases, the support of the Internal Control and Risks Committee, the Internal Audit Officer and the Financial Reporting Manager, and made use of procedures and audits, including those set out in Italian Law 262/2005. In this regard, it should be noted that the Board, most recently during its meeting of 12 March 2020, on the basis of the calculations of the Internal Control and Risks Committee, assessed the organisational, administrative and general accounting structure of the Company and its strategically important subsidiaries pursuant to criterion 1.C.1, letter c) of the Code, and expressed a positive opinion on the internal control system and, more generally, on the corporate governance system of the Company and the Group that the Issuer heads;
- assessed, on at least a quarterly basis, overall operation performance, taking into account, in particular, the information received by the delegated bodies, and comparing the results achieved with projections on a regular basis;
- examined and approved in advance, in accordance with current regulations: (*i*) transactions of the Issuer and its subsidiaries with strategic, business, asset or financial importance for the Issuer; (*ii*) transactions in which one or more Directors have an interest on their own behalf or on behalf of third parties and (*iii*) more generally, related party transactions; for more information on the management of conflicts of interest and related party transactions of the Issuer, see Section 12 below.

The Shareholders' Meeting has not authorised any exemptions from the provisions relating to competitors laid down in Art. 2390 of the Italian Civil Code.

Pursuant to Art. 17 of the Company Bylaws, a majority of current Directors must be in attendance for resolutions to be valid. Resolutions are passed by a majority of the voting members, with the abstaining members not being included in the calculation.

Pursuant to Art. 19.2 of the Company Bylaws, the Board of Directors – within the limits imposed by law or the Bylaws – may delegate its own authority and powers to the Executive Committee and may also appoint one or more Chief Executive Officers to whom to delegate authority and powers.

The same article envisages that the Executive Committee, the Chief Executive Officer or the Chief Executive Officers if appointed, must adequately and promptly report to the Board of Directors and the Board of Statutory Auditors at least once every quarter on the exercise of the delegated authority and activities performed, the general operating performance and business outlook, and the most significant transactions in terms of scale and characteristics carried out by the Company and its subsidiaries. Pursuant to Art. 21 of the Company Bylaws, the Board of Directors may appoint an Executive Committee, setting its term and number of members in advance. The Chairperson and Vice Chairperson or Vice Chairpersons (if more than one and if appointed) are ex-officio members of the Committee.

Pursuant to Art. 22 of the Bylaws, the terms and conditions for calling and operating the Executive Committee, without prejudice to the provisions of applicable laws or regulations or the Bylaws – are defined by the specific Regulation approved by the Board of Directors.

Board meetings

Board meetings are chaired by the Chairperson or, if he/she is absent or prevented from attending, by the sole Vice Chairperson or, if there are several Vice Chairpersons, the one with the greatest seniority in that position who is in attendance and, if they have the same seniority, the oldest in age. The Chairperson – or the person acting for him/her in the cases set out above – calls the Board meetings, sets their agenda and moderates their proceedings, ensuring that the Directors are promptly provided with the necessary documents and information pursuant to Art. 16 of the Company Bylaws. The Chairperson also chairs the Shareholders' Meeting, performing the roles and functions set out in Art. 10.2 of the Company Bylaws.

The Board of Directors meets regularly, and whenever the Chairperson deems necessary, or when it is requested by the Chief Executive Officer or at least three board members. Board meetings may also be called by each Statutory Auditor, upon notification to the Chairperson of the Board of Statutory Auditors.

The Board of Directors held 6 meetings during the year, on: 8 March, 15 March, 27 March, 14 May, 5 September and 13 November.

The meetings were minuted.

The Board meetings lasted for 1 hour and 28 minutes on average.

The members of the Board of Directors and the Board of Statutory Auditors regularly attended these meetings.

At least 7 Board of Directors meetings are planned for the current year, according to the calendar of Board meetings (four dates of which have already been communicated to the market and Borsa Italiana S.p.A. in accordance with regulatory provisions). In addition to the meetings already held on 6 March and 12 March 2020 to approve the draft financial statements and the consolidated financial statements of the Group at 31 December 2019, the Board of Directors is scheduled to meet on the following dates:

- 14 May (approval of the first-quarter results to 31 March 2020);
- 4 September (approval of the first-half results to 30 June 2020);
- 13 November (approval of the third-quarter results to 30 September 2020);

The financial calendar is available in Italian and English in the Investors section of the Company website at www.eurotech.com.

Pursuant to Art. 16, paragraph 3 of the Bylaws, the Chairperson of the Board coordinates the work of the Board of Directors and ensures that adequate information on the agenda of the meeting is given to all Directors. In particular, this information is always given in such a way as to allow the Board members to express an informed opinion on the matters submitted for examination by providing them documentation and information relating to the document drafts submitted for approval sufficiently in advance, with the sole exception being cases of particular and proven urgency.

Timeliness and completeness of the pre-meeting information is guaranteed by sending documentation at least 3 days before the date of the Board meeting. This deadline was normally met, and if in specific cases it was not possible to provide the necessary disclosure early enough in advance, the Chairperson ensured that adequate in-depth analyses were made during the board meetings.

Board meetings may also be attended by managers of the Issuer and the Group that is now at the head in order to provide additional information on the items on the agenda. During the year, the Financial Reporting Manager attended all of the meetings.

The Board of Directors of Eurotech, most recently on 12 March 2020 - on the basis of a questionnaire sent and completed by all Directors, divided into different areas of investigation (i.e. composition, structure, size and functioning of the Board, interaction with management, risk governance, composition and structure of committees, etc.) and with the possibility to express comments and make proposals - carried out the annual assessment in accordance with Application Criterion 1.C.1, letter g) of the Code of Conduct, considering that the composition and functioning of the Board of Directors and its Committees are adequate with respect to the management and organisational needs of the Company. With regard to composition, in particular, it was found that (i) the presence of eight non-executive Directors, four of whom are Independent Non-executive Directors, out of a total of nine Directors, guarantees an adequate composition of the Committees established within the Board of Directors; (ii) the composition of the Board of Directors reflects adequate diversity with regard to aspects such as age, gender composition and educational and professional background.

The self-assessment results showed that the Board effectively managed the issues for which they are responsible in 2019, with the involvement of all Directors, within a climate of expertise and collaboration on the issues regarding the company. No elements of weakness requiring the need to take immediate corrective actions were found, nevertheless these actions will be analysed and taken into account in order to improve the operation and efficiency of the Directors.

4.4. *Delegated Bodies*

a) **Chief Executive Officers**

Roberto Siagri, Chairperson of the Board, has full powers of representation and ordinary management with free power of signature, including those in the following (non-exhaustive) list, to carry out and supervise the organisation and management of the Company and its subsidiaries, and in particular as:

Legal representative:

- representation of the Company before any third party;
- representation of the Company, either actively or passively, before the Italian and foreign civil, penal, administrative and financial authorities, at every order and level of jurisdiction, including for judgements of revision and appeal, appointing and terminating as necessary lawyers, attorneys and experts, filing complaints and making applications to take part in proceedings as a civil party; settling and reconciling judgements and withdrawing from proceedings; submitting disputes for arbitration and carrying out all formalities related to arbitration judgements;
- promoting and pursuing actions in any judicial, civil, criminal and administrative venue, at any level of jurisdiction, whether as a plaintiff or as a defendant;
- filing of all reports or declarations that the Company must submit pursuant to law;
- delegation of authority and conferring special and/or general powers of attorney to establish acts or categories of acts within the scope of the powers conferred;
- as the Company's representative, discussion and settlement of all administrative matters before any authority and agency, ministry or state entity, signing petitions and appeals, requesting and collecting refunds;
- representation of the Company before all authorities, agencies or entities with jurisdiction over tax matters;
- filing of all reports or declarations that the Company must submit pursuant to law;
- signing and filing tax returns and declarations.

Administrative and tax representative:

- signing and submitting petitions, appeals, objections and reservations against tax assessments, arranging and defining practice in all tax matters, requesting and collecting refunds;

- participating in inspections by the tax police and all other authorities, signing the relevant reports;

- filing of all reports or declarations that the Company must submit pursuant to law;

- requesting, from any authorised entity, administrative and public safety licenses, particularly trade licenses, including registration thereof in their own name as the Company's legal representative in force.

Representative to CONSOB and Borsa Italiana S.p.A.

- representing the Company before CONSOB and at the market management companies, including in any proceedings that might have been filed with them, with the authority to draft notices and/or any other document pursuant to law and regulations;

- filing of all reports or declarations that the Company must submit pursuant to law.

Trademarks and patents:

- abandoning, limiting and expanding patents for inventions of ornamental, utility and industrial models, for factory and trade marks in Italy and at the international level, protecting them in administrative venues, carrying out all acts as necessary pursuant to current law, appointing correspondents for this purpose and granting them authority as necessary;

- representing the Company for all matters regarding the deposit, registration, and cancellation of patent, trademark and utility model rights.

Representation in associated companies:

- the exercising of voting rights and representation of the Company at Shareholders' Meetings, in consortia or other entities in which the Company has equity interests, and the exercising of all the Company's other rights in relation to its interest in these other companies, consortia or other entities, delegating authority to third parties as necessary;

- representation of the Company to subsidiaries or foreign affiliates, as well as representatives and customers outside Italy in general, and before foreign bodies and authorities in general.

Employees:

- recruitment, suspension and termination of employees, with the exception of executives, executing the relevant agreements, defining remuneration, duties and any bonds, and satisfying all relevant obligations consequent upon administration of employment relationships;

- execution, amendment and termination of agreements with external consultants and freelance employees;

- representing the Company before trade unions, with the power to settle disputes;

- representing the Company before all authorities, entities and institutes in regard to labour matters;

• representing the Company before all social security and insurance institutions, satisfying the obligations imposed by applicable labour laws and regulations.

<u>Contracts of sale and exchange</u>:

• participation in tenders held by state agencies and public and private entities in Italy and abroad, for the supply of goods and services in general, submitting bids and, if the contract is awarded, signing and granting authority for signing the contracts for each individual tender or bid for amounts up to €5,000,000.00;

• execution and approval of all documents and agreements relating to the transfer of goods and provision of services, with the exception of capital assets, connected with the Company's activity, for a value of up to €5,000,000.00 and/or with a duration of three years or more;

• examination, amendment, approval and cancellation of contracts of sale and exchange, including those that envisage the receipt of commissions, finished and semi-finished products, raw materials and goods for performing corporate activities for a value of up to €5,000,000.00.

<u>Agency agreements:</u>

• amendment, approval and cancellation of agency, commercial licensing or sub-licensing, commission and bailment agreement.

<u>Company management agreements:</u>

• examination, amendment, approval, execution and termination of programmes and proposals for new investments for amounts up to:
- €500,000 for each investment in stationary plants;
- €1,000,000 for each multi-year investment in research and development.

• examination, amendment, approval, execution and termination of any document and agreement necessary for management of the Company whose individual value is less than €1,500,000/00 and whose duration is less than three years;

• amendment, approval, execution and termination of partnership agreements with universities and research institutes and joint venture agreements, except, in the latter case, where the Board of Directors is exclusively responsible for transactions with a specific impact on the operating results, equity and financial position pursuant to CONSOB regulations for listed companies;

• examination, amendment, approval, execution and termination of lease agreements, including finance leases and commercial leases and subleases for the use of goods in the amount of up to €500,000.00 and with a duration of up to nine years;

• requesting all forms of new loans and credit lines from banks, amending, approving and cancelling loans in euro and/or foreign currency, with the power to sign the related documentation for amounts of up to €3,000,000.00 for each loan and/or credit line, with a total annual limit of €5,000,000.00, excluding financial transactions in countries on the black list kept by the Ministry of Economic Affairs;

• executing all transactions with factoring companies, including the execution of agreements, sale of receivables and/or acceptance of sales by suppliers, the establishment of guarantees, collection orders, discounting and whatever else connected with factoring relationships;

• examination, amendment, approval, execution and cancellation of supply contracts in general, including service agreements, work agreements and similar provision of goods and all relevant and consequent acts for an amount equal to or less than €1,500,000.00 per single agreement, other than the sale of goods, provision of services and participation in tenders as described in the previous two points;

- definition of guidelines for cash pooling operations, such as, but not limited to, opening and closing of deposit accounts, swaps, negotiation of interest rates, the commencement and termination of operating mandates and, in general, all similar transactions;

- subscription of increases in capital of subsidiaries, affiliates and other companies already held that involve an investment of less than €100,000 and that do not involve increasing the share held are excluded.

Vehicles:

- representing the Company before all authorities and entities, signing all documents regarding the legal status of the transport vehicles and grant authorisations to drive Company owned vehicles to employees or third parties;

- the purchase, sale and exchange, up to a limit of €100,000/00, of any land transport vehicle, executing the related formalities with the competent public automotive registers, including the arrangement and cancellation of mortgages.

Financial transactions and relations with banks:

- within the limits of the granted credit lines, execution of any debit or credit transaction on the Company’s current accounts at banks and post offices in Italy and abroad, excluding countries on the black list published by the Ministry of Economic Affairs; issuing, endorsing and collecting bank cheques and having issued, endorsing and collecting banker’s drafts;

- issue, receipt and endorse bills of exchange; have issued, accept and endorse merchandise notes;

- execution or release of security deposits in cash or securities;

- depositing public or private securities with banks, in custodian, trust or pledge accounts; withdrawing them by issuing a receipt in release thereof;

- rental and cancellation of the rental of safe deposit boxes, with the power to open them and remove their contents;

- issuing bills of exchange and endorsements only to suppliers and for legal transactions, accepting bills only from suppliers and only if issued on legally compliant orders.

Administrative matters:

- collection of postal and telegraph money orders and issuance of the related receipts;

- collection of postal packets, registered and insured letters from any post office and issuance of the related receipts;

- giving and accepting security deposits;

- executing all customs clearance transactions, making and withdrawing the required deposits and all other matters with the Customs Offices, signing all documents as necessary.

Endorsement and collection of negotiable instruments:

- negotiate, sign and collect bills (paper and IOUs), promissory notes, cheques and any other trade instrument or bills, signing the relevant documents, endorsements and receipts;

- endorsement of bills, cheques and all other negotiable instruments for collection;

- filing protests, issuing orders to pay, taking preventive and enforcement measures and handling their revocation if necessary.

<u>Correspondence and other documents:</u>

- signing all company correspondence;

- issuing, signing and issuing receipts for invoices, debit and credit memoranda, and receiving them;

- signing and issuing waybills and transport bills and receiving them.

<u>Collection of receivables:</u>

- demanding receivables, collection and withdrawal of cash and cash equivalents for any reason from any bank, entity or person, issuance of receipts and releases;

- issuance of bills to customers and other debtors;

- serving notices of placement in default and having bank protests issued;

- taking enforcement and preventive measures, obtaining injunctions, orders, attachments and seizures;

- filing bankruptcy petitions, representing the mandating Company in bankruptcy proceedings, filing the relevant credit claims, certifying their effective existence, voting in arrangement, collecting final and partial distributions, participating in procedures for arrangements with creditors and receivership and carrying out all acts involved in those procedures.

<u>Special mandates:</u>

- within the limits of their own powers, granting mandates and special powers of attorney to Company employees and third parties that authorise them to execute specific transactions and classes of actions in the name and on behalf of the Company, using the power of Company signature to do so and revoking these mandates as necessary;

- even if not expressly specified here, doing whatever else is appropriate and necessary on behalf of the principal, with no exceptions other than those specified, with the foregoing list of powers having to be considered examples but not mandatory. All of the foregoing authority is granted with promise of full ratification and approval and full exemption from liability for any party.

<u>Specific activities:</u>

- execution, amendment and termination of agreements for the purchase of spaces and/or systems for advertising services and advertising, promotion and experimentation materials; agreements for the Company’s advertising activity and market research;

- performance of all supervisory duties and implementation of statutory and regulatory provisions pertaining to listed companies and established by competent authorities;

- performing any activity deemed necessary for attending to relations with investors, the national and international press, and the market;

- overseeing the organisation of communication programmes, participating in events and fairs and whatever else is considered useful for the purpose of promoting the image of the Company;

- coordinating the research and development activities of the Company, and in particular:

    - taking those initiatives as necessary to realise corporate and group research and development programmes;
    - taking all measures as necessary to promote the study, design and completion of new products, exploiting the assistance of all members of the Company and Group organisation as defined in the Company and Group organisational chart, and using the creative talents and experience of all personnel;
    - coordinating Group research and development activities, reporting on these to the Executive Committee once a month;
    - monitoring public/publicly funded research projects, including international projects, and taking part in those of interest to the Company and the Group.

* * *

The Chairperson Roberto Siagri also held the position of Chief Executive Officer under the previous Board mandate.

The Chairperson Roberto Siagri is qualified as the company's Chief Executive Officer.

Note that the *interlocking directorate* situation provided for by criterion 2.C.6 of the Corporate Governance Code does not apply.

b) Chairperson of the Board of Directors

Pursuant to Art. 25 of the Company Bylaws, the Chairperson is the legal representative of the Company and has signing power for it. If the Chairperson is absent or prevented from attending, these powers are exercised by the Vice Chairperson or Vice Chairpersons (if appointed), according to the provisions of the Bylaws. The Chief Executive Officer(s), if appointed, is/are also legal representatives of the Company, within the limits of the delegated authority.

The Shareholders' Meeting of 26 April 2017 appointed Giuseppe Panizzardi as Chairperson of the Company's Board of Directors. In consideration of the resignation of Giuseppe Panizzardi from the position of Director (see paragraph 4.3 above), at the meeting held on 13 November 2019, Mr. Roberto Siagri was appointed Chairperson.

Until 13 November 2019, the conditions pursuant to the Corporate Governance Code did not exist and, in particular, considering that the Chairperson of the Board was not also the Chief Executive Officer of the company, the Lead independent director had not been appointed pursuant to the Code.

Following the appointment of Roberto Siagri, also Chief Executive Officer of the Company, as Chairperson of the Board of Directors, it was not deemed necessary to proceed with the appointment of the *Lead independent director* also in view of the forthcoming expiry of the mandate of the whole Board.

The Chairperson is not the controlling shareholder of the Issuer.

c) Executive Committee

The Issuer's Board of Directors has not created an Executive Committee.

Disclosure to the Board and to the Board of Statutory Auditors

As prescribed in Art. 19 of the Bylaws, the delegated bodies promptly reported on their activities, the general operating performance and business outlook, and the most significant transactions in terms of scale and characteristics carried out by the Company and its subsidiaries to the Board of Directors and to the Board of Statutory Auditors at least quarterly during the Board meetings and in such a way as to allow the Board to express an informed opinion on the matters submitted for examination.

4.5. *Other executive directors*

With regard to Art. 2.C.1. of the Code, there are no other Executive Directors.

4.6. Independent Directors

Pursuant to the combined provisions of Art. 147-*ter* (4) and 148 (3) of the TUF, in accordance with Art. 2.2.3, paragraph 3, letter m of the Stock Market Regulation and Art. IA.2.10.6 of the Stock Market Regulation Instructions – both applicable to STAR-qualified issuers – and in accordance with Principle 3 of the Corporate Governance Code, the Board of Directors currently contains four Independent Directors – Chiara Mio, Giulio Antonello, Riccardo Costacurta and Carmen Pezzuto – who, except as indicated below with reference to Mio:

(i) do not control the Company directly or indirectly, through subsidiaries, trust companies, or intermediaries, and cannot exercise significant influence over it;

(ii) are not, directly or indirectly, party to any shareholders' agreement through which one or more persons can exercise control or significant influence over the Company;

(iii) are not and have not during the past three financial years been key executives (i.e. the legal representative, the Chairperson of the Board of Directors, an Executive Director or manager with strategic responsibilities) of the Company, one of its strategic subsidiaries, a company subject to joint control with it or a company or entity that, either separately or jointly with others through a shareholders' agreement, controls the Company or can exercise significant influence over it;

(iv) do not have and have not had during the previous year, directly or indirectly (e.g. through subsidiaries or companies in which they are key executives, in the sense set out in point (iii) above, or as the partner in a professional or consulting firm), a significant commercial, financial or professional relationship, or employment, with: (a) the Company, one of its subsidiaries or a key executive, in the sense set out in point (iii) above, at these companies; (b) a party that, either separately or jointly with others through a shareholders' agreement, controls the Company or – in the case of a company or entity – a key executive, in the sense set out in point (iii) above, at these companies;

(v) without prejudice to point (iv) above, do not have freelance or employee working relationships, or other financial or professional relationships that could compromise their independence: (a) with the Company, its subsidiaries or parent companies, or with companies subject to joint control; (b) with Directors of the Company; (c) with spouses or relatives to the fourth degree of the Directors of the companies referred to in point (a) above;

(vi) do not receive and have not received during the last three financial years from the Company or a subsidiary or parent company, significant remuneration in addition to the fixed compensation as a Non-Executive Director of the Company and remuneration for taking part in Committees recommended by the Code, even in the form of participation in incentive plans linked to Company performance, including stock option plans;

(vii) have not been Directors of the Company for more than nine of the last 12 years;

(viii) are not Executive Directors at any other company where an Executive Director of the Company serves as Director;

(ix) are not shareholders or Directors of any company or entity within the network of the company responsible for auditing the accounts of the Company;

(x) are not close relatives of a person who is in one of the situations described in the preceding points, and are not spouses or relatives to the fourth degree of Directors of the Company, its subsidiaries, companies that control it and those subject to joint control with it.

The Board of Directors assesses compliance with these requirements using information that the interested parties are required to provide under their own responsibility and any other information available to it.

Satisfaction of the pre-requisites for independence set out in Art. 3 of the Corporate Governance Code and Art. 148 (3) (b) and (c) of the TUF by the Independent Directors currently in position was verified annually by the Board of Directors and, in particular, they were verified - in addition to the first meeting held after their appointment on **26 April 2017** as communicated to the market on the same date - most recently at the meeting held on 6 March 2020.

Upon presentation of the list for appointment of the current Board of Directors, as well as at the time of the annual verification of the continuing existence of the pre-requisites for independence of the Independent Directors, declarations attesting to the fulfilment of the requirements set out in the Corporate Governance Code for Independent Directors were deposited at the registered office of the Company.

On the basis of the statements of independence provided by the Independent Directors, they promised to maintain their independence during the term of office, and in any event to inform the Board of Directors of any situation that could compromise their independence. It should also be noted that, pursuant to Art. 14, paragraph 2, of the Issuer's Bylaws, a Director's loss of the pre-requisites for independence set out in Art. 148, paragraph 3, of the TUF does not bring about forfeiture if the minimum number of Directors that according to current legislation must meet this requirement still meet said pre-requisites. The Board used the criteria set out in the Corporate Governance Code to carry out this assessment.

With particular reference to the Director Chiara Mio, the Board of Directors - on 26 April 2017 and most recently on 6 March 2020 - decided not to apply criterion 3.C.1 point e) of the Corporate Governance Code (i.e. the criterion that states that a person who has held the position in the Company for more than nine years in the last twelve cannot be considered independent), so that the Company can continue to avail of the high professional profiles that over time have proved invaluable and suitable for operating within the complex regulatory and organisational framework of Eurotech.

The Board of Statutory Auditors, pursuant to application criterion 3.C.5 of the Corporate Governance Code, most recently on 6 March 2020, verified the correct application of the criteria and procedures used by the Board of Directors to assess the independence of its members; the result of this last check will be included in the report of the Board of Statutory Auditors to the Shareholders' Meeting pursuant to Art. 153 of the TUF.

During the year, the Independent Directors worked together to maintain and promote an active dialogue with Directors with delegated powers and with the Director responsible for monitoring the Company’s performance and the approach to its future results.

A meeting of the Independent Directors took place on 02 September 2019, during which the activity of the various committees within the board were analysed.

The average duration of the meetings was 30 minutes.

4.7. Lead Independent Director

Until 13 November 2019, the conditions pursuant to the Corporate Governance Code did not exist and, in particular, considering that the Chairperson of the Board was not also the Chief Executive Officer of the Company, the Lead independent director had not been appointed pursuant to the Code.

Following the appointment of Roberto Siagri, also Chief Executive Officer of the Company, as Chairperson of the Board of Directors, it was not deemed necessary to proceed with the appointment of the Lead independent director also in view of the forthcoming expiry of the mandate of the whole Board.

5. HANDLING OF CORPORATE INFORMATION

5.1. *Inside information*

During the 2016 year, the company adopted a new "*Procedure for disclosing inside information to the public*" pursuant to Art. 17 of (EU) Regulation 596/2014 concerning market abuse (*Market Abuse Regulation*, "**MAR**") and the relevant rules for execution and implementation of the European Commission.

The "*Procedure for disclosing inside information to the public*" regulates the internal management and external disclosure of inside information (as defined by Art. 7 of the MAR) and confidential information (as defined by the procedure) regarding the Issuer and the Group companies. This internal procedure is first of all aimed at ensuring observance of the legal and regulatory provisions in force on the subject and to guarantee that the secrecy and confidentiality of the inside information is observed, as well as greater transparency when dealing with the public and adequate measures to prevent market abuse.

Specifically, the press releases required by current laws and regulations regarding inside information are prepared by the Investor Relations function assisted by the Corporate Communication function and are approved by the Chief Executive Officer or, if he/she is absent or impeded, by the other parties responsible for assessing the privileged nature of the information pursuant to the relevant procedure, and if deemed expedient or necessary, by the Board, for final approval before external release, following a declaration, if the text relates to accounting information, of the Financial Reporting Manager. These press releases are available on the storage mechanism indicated under paragraph 15 of this Report and on the website of the Issuer at www.eurotech.com, in the "Investors" section.

5.2. *Internal Dealing*

The Company adopted a new "*Procedure for compliance with internal dealing obligations*" pursuant to Art. 19 of the MAR and relevant European Commission execution and implementation rules.

Notices of material transactions pursuant to the Internal Dealing Procedure that were executed during the year were disclosed to the market in accordance with the Internal Dealing Procedure. This information is in any case available in the "Investors" section of the Company website at www.eurotech.com/it.

5.3. *Register of persons possessing inside information*

In compliance with Art. 18 of the MAR and the relevant European Commission execution and implementation rules, which establish the obligation for issuers or persons that act in their name and on their behalf to draw up, manage and update the register of persons with access to inside information, the Company (i) adopted, in the meeting of 24 March 2017, a new "*Procedure for managing the Group Register of persons with access to inside information*" and has (ii) established, also on behalf of all the companies of the Eurotech Group, the register of persons with access to inside information (pursuant to Art. 115-*bis* of the TUF and Art. 152-*bis et seq.* of the CONSOB Issuer Regulation) of the Group.

6. COMMITTEES WITHIN THE BOARD OF DIRECTORS

The Board set up all the committees required by the Corporate Governance Code for Related Party Transactions, namely the Appointments Committee, Remuneration Committee, the Control and Risks Committee and the Committee for Related Party Transactions. It should be noted that no committees other than those provided for by the Corporate Governance Code have been set up.

7. APPOINTMENTS COMMITTEE

In accordance with the provisions of the Code, the Board has set up an internal Appointments Committee.

The majority of the members of the Appointments Committee are non-executive independent directors.

The committee members were appointed during the 26 April 2017 Board of Directors meeting, and they are Roberto Siagri (Executive Director), Giulio Antonello (Independent Director) and Chiara Mio (Independent Director and Chairperson).

The Appointments Committee (i) advances its opinions on its size and composition to the Board of Directors and puts forward recommendations regarding the professional figures whose presence on the board is considered advisable and regarding the topics described in the Art. 1.C.3 and 1.C.4 of the Corporate Governance Code, regarding the maximum number of offices of director or statutory auditor that can be considered compatible with effective performance of the office of director in the Issuer and regarding the advisability to authorise exemptions from the provisions relating to competitors; it also (ii) proposes candidates for the office of Director to the Board of Directors in the case of co-option if it is necessary to replace Independent Directors.

During the Financial Year, 2 meetings of the Committee were held on 23 September 2019 and 11 November 2019, on the occasion of the appointment of the members of the Board following the resignation of three directors. In the first meeting there was the acknowledgement of the resignation of several directors as well as of the Chairperson and in the second meeting the candidates of the co-opted directors and the proposal of the new Chairperson were analysed

The average duration of the meetings was 3 hours and 33 minutes. The work of the Committee was coordinated by the Chairperson, the meetings were regularly minuted and the Chairperson of the Committee informed the first useful Board of Directors. Participation in Committee meetings by non-members was at the invitation of the Chairperson of the Committee.

At the date of this report at least three meetings of the Committee are scheduled for the current 2020 financial year, one of which was held on 12 March, in order to carry out the activities for which the Committee is responsible in connection with the renewal of the corporate bodies by the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2019.

No financial resources were allocated to the Appointments Committee since it makes use of the business resources and structures of the Issuer in carrying out its duties.

8. REMUNERATION COMMITTEE

In light of the provisions of Art. 2.2.3(3) of the Stock Market Regulation, applicable to STAR-qualified issuers, and in accordance with the Corporate Governance Code, the Company set up a Remuneration Committee within its Board of Directors, which remains in office until the end of the mandate of the Board of Directors that appointed it.

During its 26 April 2017 meeting, the Board of Directors appointed as committee members Chiara Mio (Chairperson and Independent director), Riccardo Costacurta (Independent Director) and Giuseppe Panizzardi (Non-executive Director). The Directors Chiara Mio and Giuseppe Panizzardi have financial or remuneration policy experience. Following the resignation of Board member Giuseppe Panizzardi, the Director Giulio Antonello (Independent Director) was appointed to replace him at the meeting held on 13 November 2019.

In accordance with the Corporate Governance Code, this Committee may only carry out proposal and advisory functions. In particular, the Chief Executive Officers remain responsible for defining the policies and remuneration levels for senior management.

In accordance with Art. 2.2.3(3)(n) of the Stock Market Regulation and the Corporate Governance Code, the Committee is currently composed exclusively of non-executive and independent Directors.

The Remuneration Committee is responsible for:

- proposing the adoption of the Remuneration Policy for Directors and key management personnel;
- proposing or expressing opinions to the Board of Directors on the remuneration of Executive Directors and other Directors who hold specific positions and on the setting of any performance objectives related to any variable remuneration component, monitoring the implementation of decisions taken by the Board and verifying, in particular, the actual achievement of the performance objectives;
- periodically assessing the adequacy, overall consistency and practical application of the Remuneration Policy of Executive Directors, other Directors assigned special duties and key management personnel, availing itself with regard to the latter of information provided by the Chief Executive Officers; submitting proposals to the Board of Directors.

In particular, the Committee takes into due account the following in determining said remunerations: consistency with remunerations recognised in previous mandates, compliance with the commitments assumed and responsibilities of the positions held, professional qualifications possessed by the parties concerned, and the size of the Company, Group and respective prospects for growth.

During the year, the Remuneration Committee held 2 (two) meetings, on 15 February and 19 November, which were duly minuted. The meetings were aimed at assessing the achievement of the final balance of the variable Remuneration Plan at the Group level for the 2018 year, the proposals for fixed and variable remuneration for directors and for the chief executive officers for 2019, the confirmation of the remuneration policy and the proposal for a new 2019 stock option plan. The meetings are coordinated by the Chairperson of the Committee, which informed the first useful Board of Directors of this fact. Participation in Committee meetings by non-members was at the invitation of the Chairperson of the Committee. One or more members of the Board of Statutory Auditors also attended the meetings.

The meetings lasted 41 minutes on average.

In the current 2020 financial year, at least one meeting is scheduled for March 2020, during which the Committee will carry out the annual assessment of the Remuneration Policy for Directors and executives with strategic responsibilities, also taking into account the changes in remuneration introduced by Legislative Decree No 49 of 10 May 2019 transposing Directive (EU) 2017/828 of 17 May 2017 (so-called "*Shareholders' Rights Directive II*").

In performing its functions, the Remuneration Committee has the power to access the information and business departments necessary for carrying out its duties and may also make use of external consultants, if deemed advisable, under the terms established by the Board of Directors.

No financial resources were allocated to the Remuneration Committee since it makes use of the business resources and structures of the Issuer in carrying out its duties.

Pursuant to Art. 6.C.6. of the Code, no Director shall attend the meetings of the Remuneration Committee in which proposals to the Board of Directors regarding their remuneration are put forward.

9. DIRECTORS' REMUNERATION

As prescribed by Art. 20 of the Company Bylaws, the members of the Board of Directors are entitled to annual compensation, determined by the Shareholders' Meeting for the entire period of their term, and reimbursement of the expenses they incur on official business. After receiving the opinion of the Board of Statutory Auditors, the Board of Directors determines the remuneration of the Chairperson, Vice Chairpersons, Chief Executive Officers and members of the Executive Committee. Alternatively, the Shareholders' Meeting may determine a total amount for remuneration of all Directors, including those assigned special duties, with the allocation of that aggregate amount being determined by the Board of Directors upon consultation with the Board of Statutory Auditors.

For further information on the Remuneration Policy adopted by the Issuer and on the remuneration received by the members of the Board of Directors during the financial year, please refer to Section I and Section II, respectively, of the Remuneration Report prepared pursuant to Art. 123-*ter* of the TUF and Art. 84-*quater* of the Consob Issuer Regulation, available in accordance with legal requirements on the Company's website www.eurotech.com in the "Investors" section.

10. CONTROL AND RISKS COMMITTEE

In accordance with Art. 2.2.3(3)(p) of the Stock Market Regulation, applicable to STAR-qualified issuers, and Application Criterion 7.C.2 of the Corporate Governance Code, the Board set up the Control and Risks Committee, which provides advice and makes proposals to the Board of Directors on the internal control and risk management system.

More specifically, this Committee, in assisting the Board of Directors:

a) assesses, together with the Financial Reporting Manager and consulting the Independent Auditor and the Board of Statutory Auditors, the correct application of accounting policies and, in the case of groups, their suitability for the preparation of the consolidated financial statements;

b) expresses opinions on specific issues regarding the identification of key business risks;

c) discusses with the Internal Audit the evaluation of the internal control and risk management system and, if necessary, examines the reports on topics of particular relevance to the Internal Audit function;

d) monitors the independence, adequacy, efficacy and efficiency of the Internal Audit function;

e) may request the Internal Audit to perform checks on specific operating areas, giving concomitant communication to the Chairperson of the Board of Statutory Auditors;

f) reports also informally to the Board at least every six months, upon approval of the financial statements for the full-year and the half-year report, on its activity and the adequacy of the internal control and risk management system;

g) supports, by means of suitable preliminary activities, the assessments and decisions of the Board of Directors relating to the management of risks deriving from prejudicial facts of which the Board of Directors has become aware.

At its meeting of 26 April 2017, the Board of Directors appointed the following members of the Control and Risks Committee: Chiara Mio (Chairperson and Independent Director), Marina Pizzol (Non-Executive Director) and Riccardo Costacurta (Independent Director). Following the resignation of Director Marina Pizzol with effect from 15 October 2019, Director Carmen Pezzuto (Independent Director) was appointed on 13 November 2019. All the members of the Control and Risks Committee have appropriate accounting and financial experience.

The Control and Risks Committee reported to the Board of Directors on Committee activities and on the adequacy of the internal control system at least once every six months, upon approval of the financial statements for the full-year and the half-year report.

The Control and Risks Committee held 5 meetings during the reporting period, on 23 January, 8 March, 30 April, 2 September and 13 November, all chaired by the Committee Chairperson and all of which were duly minuted. The Committee kept the Board regularly informed of the issues dealt with.

The Control and Risks Committee meetings lasted about 1 hour and 38 minutes on average. The work of the Committee was coordinated by the Chairperson, the meetings were regularly minuted and the Chairperson of the Committee informed the first useful Board of Directors. Participation in Committee meetings by non-members was at the invitation of the Chairperson of the Committee.

During the financial year, the Committee analysed the company's economic and financial performance and continued to monitor the risks in the current and successive reporting periods and information was exchanged periodically with the Board of Statutory Auditors, the Oversight Committee and with the planned Independent Auditor to allow any critical issues in the respective areas of responsibility to be brought up. At least five meetings are planned for the current financial year, on dates that will be set according to the requirements of the Company and the Control and Risks Committee. One such meeting took place on 2 March 2020.

Participation in Committee meetings by non-members of the Control and Risks Committee was at the invitation of the Chairperson of the Committee. One or more members of the Board of Statutory Auditors also attended the meetings.

In performing its functions, the Control and Risks Committee had access to the information and business departments necessary to carry out its tasks. The Committee may also make use of, where deemed advisable, external consultants, under the terms established by the Board of Directors.

No financial resources were allocated to the Control and Risks Committee, since it makes use of the business resources and structures of the Issuer in carrying out its tasks.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Board of Directors has set up an internal control and risk management system for auditing - once full operational efficiency is reached - effective compliance with the internal operating and administrative procedures adopted to ensure healthy and efficient management and – where possible – identification, prevention and management of financial and operating risks and fraud against the Company.

The Board of Directors defines the guidelines for the internal control and risk management system (construed as a set of processes designed to monitor the efficiency of corporate operations, the reliability of financial information, compliance with laws and regulations, and the protection of Company assets), including all risks that might be important in the perspective of medium to long-term sustainability in its assessments.

To this end, the Board, after consultation with the Control and Risks Committee:

(i) handles the prevention and management of Company risks relating to the Issuer and Group through the definition of control and risk management system guidelines that can ensure that these risks are properly identified and adequately measured, monitored, managed and assessed, also in view of protecting corporate assets and healthy and fair corporate management, in line with the identified strategic objectives;

(ii) assesses the adequacy of the internal control and risk management system on a periodic basis, and at least once annually, in relation to the characteristics of the company and risks assumed, as well as its efficacy;

(iii) assesses, consulting the Board of Statutory Auditors, the result set out by the Independent Auditor in the letter of suggestions, if any, and in the report to the Internal Control and Audit Committee pursuant to Article 11 of EU Regulation 537/2014 on key matters arising from the auditing of the accounts.

The Board also, at the proposal of the Director in charge of overseeing the functioning of the internal control system (the "**Delegated Director**") and after consultation with the Control and Risks Committee, as well as consulting the Board of Statutory Auditors:

(a) appoints and revokes the Internal Audit Officer;

(b) ensures that he or she has resources adequate for discharging their responsibilities;

(c) defines the remuneration in line with company policy.

The internal control and risk management system is therefore organised and managed by four bodies: the Board of Directors, the Delegated Director, the Internal Audit Officer and the Control and Risks Committee (see section 10 hereinabove).

On 13 November 2018 the Board of Directors, with the approval of the Control and Risks Committee and consulting the delegated director of the internal control and risk management system and the Board of Statutory Auditors, approved the new plan prepared by the Internal Audit officer for the 2019-2020 period.

Most recently, on 6 March 2020, the Board of Directors reviewed the adequacy, effectiveness and actual functioning of the internal control system as well as risk management with respect to the characteristics of the risk profile.

11.1. *Executive Director responsible for the internal control system*

The Delegated Director:

(i) identifies the main corporate risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and submits these periodically to the Board of Directors for examination;

(ii) implements the guidelines defined by the Board of Directors, overseeing the design, implementation and management of the internal control and risk management system and constantly verifies its adequacy and efficacy;

(iii) deals with the adaptation of this system to the dynamics of the operating conditions and the legislative and regulatory landscape.

In order to carry out these functions, the Delegated Director relies on the assistance of the Internal Audit Officer.

The Delegated Director may also (i) require the Internal Audit to perform checks on specific areas of operation and compliance with the rules and internal procedures in the execution of business operations, notifying the Chairperson of the Board of Directors, the Chairperson of the Audit and Risk Committee and the Chairperson of the Board of Auditors; (ii) report promptly to the Control and Risks Committee (or the Board of Directors) on problems and critical issues arising in the performance of their duties or of which they are aware, so that the Committee (or the Board) can take the appropriate measures. During the year it was not necessary to exercise that power.

On 26 April 2017, the Board of Directors appointed the Chief Executive Officer, Roberto Siagri, to the position of Delegated Director (he also held the position during the previous Board term).

11.2. *Internal Audit Officer*

Following the resignation of Stefano Bertoli, on 13 November 2018 the Board of Directors, on the proposal of the Delegated Director, after obtaining the favourable opinion of the Control and Risks Committee and after hearing the opinion of the Board of Statutory Auditors, appointed Tania Pinzano as the Internal Audit Officer.

The Internal Audit Officer is not in charge of any operating area and reports hierarchically to the Board.

The Internal Audit Officer is assigned the following duties:

(a) to assess, both continuously and in connection with specific requirements and in observance of the international standards, the operation and appropriateness of the internal control and risk management system using an audit plan approved by the Board of Directors that is based on a structured analysis plan that prioritises the main risks;

(b) to inform, with periodic reports containing adequate information on their activity, the procedures followed to manage the risks and observance of the plans defined to reduce them. The periodic reports contain an assessment of the adequacy of the internal control and risk management system;

(c) to promptly prepare reports on particularly important events;

(d) to discuss the reports described under paragraphs (b) and (c) with the chairpersons of the Board of Statutory Auditors, the Internal Control and Risks Committee and the Board of Directors, as well as with the Delegated Director of the internal control and risk management system;

(e) to assess the reliability of the information systems, including the accounting systems, as part of the audit plan.

During the year, the Internal Audit Officer, who held the position at the time, had direct access during the reporting period to all information useful for performing their duties.

No financial resources were allocated to the Internal Audit Officer, since they make use of the business resources and structures of the Issuer in carrying out their tasks.

No remuneration was allocated to the Internal Audit Officer other than what was paid as an employee of the Company.

During the year, the Internal Audit Officer reported on their activities to the Control and Risks Committee, the Board of Statutory Auditors and the Delegated Director.

The main activities carried out during the year by the Internal Audit Officer concern the analysis of business risks and the verification of company procedures with regard to the risks themselves.

11.3. *Organisation model pursuant to Legislative Decree 231/2001*

The Organisation, Management and Control Model (the "**Model**"), previously approved on 29 March 2008 and amended on 11 November 2016, pursuant to Legislative Decree 231 of 8 June 2001, was updated on 7 September 2018.

The Model is based on the principles and guidelines set out in the:

a) Stock Market Regulation;
b) Corporate Governance Code;
c) Guidelines for drafting organisational, management and control models pursuant to Legislative Decree 231/01, approved by Confindustria on 7 March 2002, as subsequently amended in July 2014.

The Model makes provision for the following:

1. Oversight Committee
   a. Designation of an existing body or establishment of a new body
   b. Definition of the flow of information from and to the Oversight Committee

2. Identification of the principal areas at risk of criminal offences (Art. 24 and 25)
   a. Historical Analysis
   b. Identification of the principal corporate areas involved in possible cases of criminal offence
   c. Identification of the persons concerned

3. Risk assessment (Art. 24 and 25)
   a. Identification and assessment of existing controls
   b. Identification of any defects in controls

4. Other parts of the Model
   a. Code of Ethics
   b. Organisational system
   c. Delegations of authority, including power of signature
   d. Manual and IT procedures
   e. Management control system
   f. Information and training of personnel on the Model
   g. Disciplinary system
   h. Formalisation of the model summary document

5. Model monitoring
   a. Analysis of results and definition of corrective measures
   b. Assisting the Supervisory Body in:
      i. Defining an audit plan
      ii. Carrying out audits on the Model

The Oversight Committee, appointed by the Shareholders' Meeting on 26 April 2017, consisted of Stefano Fruttarolo (Chairperson), Chiara Mio, Stefano Bertoli, all of whom held the same role in the prior board mandate as well. The Oversight Committee members all fulfil the relevant legal requirements. Following the resignation of Stefano Bertoli, Roberto Maggi, with proven experience in the field and in possession of the necessary requirements to hold the position, was appointed member of the Oversight Committee.

In this regard, it should be noted that, although the advisability of assigning the functions of Oversight Committee to the Board of Statutory Auditors has been evaluated, it was considered that a body set up *ad hoc*, other than the supervisory body, is capable of providing more efficient and effective oversight.

The term of office of the Oversight Committee coincides with that of the Board of Directors and, therefore, will expire with the approval of the financial statements at 31 December 2019.

11.4. Independent auditor

The Ordinary Shareholders' Meeting of 24 April 2014, upon recommendation by the Board of Statutory Auditors also pursuant Article 13 of Legislative Decree No 39/2010, assigned auditing of the accounts for the period 2014-2022 to the auditing firm PricewaterhouseCoopers S.p.A.

11.5. ***Financial Reporting Manager***

Pursuant to Art. 19, paragraph 4 of the Company Bylaws, the manager assigned to prepare the company's accounts (the "**Financial Reporting Manager**") must be appointed by the Board of Directors of the Company following mandatory consultation with the Internal Control Committee. The Financial Reporting Manager must satisfy the professional requisites of specific expertise in administration and accounting and must be granted adequate powers and resources to perform the above functions. He/she must also be paid adequate compensation.

On 26 April 2017, the Board, with the approval of the Board of Statutory Auditors, reconfirmed Sandro Barazza, Administration and Finance Officer, as the Financial Reporting Manager. Upon appointment, the Board verified that he has the requisites required by law and the Bylaws.

The Financial Reporting Manager is delegated full powers directly and/or indirectly related to the performance of the duties assigned to him/her, including the power to access all types of information and/or documents relating to the Company and/or Group companies as deemed relevant and/or appropriate for discharging the duties legally assigned to him/her.

Main features of the current risk management and internal control systems relating to the financial disclosure process pursuant to Art. 123-bis, paragraph 2, letter b) of the TUF

Introduction

According to the Corporate Governance Code, the internal control system comprises all the rules, procedures and organisational structures designed to allow, through an appropriate identification process, measurement, management and monitoring of the main risks, for the healthy and proper management of the business, in line with pre-set objectives.

The definition provided in 1992 by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) identifies the internal control system as a process designed to provide reasonable security in pursuing the objectives of efficiency and effectiveness in operating activities, reliable information in the financial statements and compliance with laws and regulations in force.

In line with the definitions described, the system for managing existing risk relating to Eurotech's financial disclosure process is one part of the Group's wider system of internal control.

Description of the main features of the current internal control and risk management system relating to the financial disclosure process

a) <u>General operating principles of the internal control and risk management system</u>

Eurotech's internal control and risk management system is based on the following key elements:

- Eurotech's Code of Ethics;
- clear business organisation with well-defined responsibilities;
- business policy and procedure;
- information systems (particularly relating to the objectives of a correct segregation of functions);
- management control and the directional reporting system;
- continuing training of company personnel;
- a structured and controlled external communication process.

Given the definitions of the internal control and risk management system provided above, control refers to an action undertaken by a manager to increase the probability that pre-set objectives are achieved or to reduce the impact of any risks related to these objectives.

These controls may be exercised *ex-ante* (to prevent the occurrence of unwanted events) or *ex-post* (to identify and correct unwanted events that have taken place).

The company Directors and managers, within their respective areas of competence, are responsible for:

- identifying and assessing risks to business operations;
- defining and establishing policies, operating standards, procedures, systems and other tools to reduce the probability and/or impact of any risks to a minimum;
- issuing operating instructions for control processes and encouraging employees to carry out their tasks in a controllable and controlled way;
- maintaining the adequacy and efficiency of the control processes established.

The four key objectives for control operations that every business manager is required to fulfil are:

1. safeguarding business resources, including human and financial resources;
2. ensuring the reliability of the data and information used internally or communicated externally;
3. promoting efficient and effective actions;
4. ensuring that senior management guidelines, (including the budget, plans, policies and procedures) are respected and executed according to the laws and regulations under which the Company operates.

b) Internal control and risk management system in the financial disclosure process

Of the four objectives, the second and the fourth are closely connected to the financial disclosure process, which is mainly governed by the Chief Executive Officer and the Financial Reporting Manager pursuant to Art. 154-*bis* of the TUF.

In line with the operational principles of Eurotech's internal control system, the Chief Executive Officer and the Financial Reporting Manager carefully and scrupulously identify the main risks to the financial disclosure process every year. The risk identification process involves identifying the Group Companies and the operating flows that are vulnerable to material errors or fraud, with reference to the business results in Eurotech's separate and/or consolidated financial statements.

In response to the risks identified and evaluated according to the criteria of probability that they will happen and the effects of this on the financial statements, appropriate control procedures are created, which are assessed at both the design and the operational stage. Assessment of the design of the control procedures helps to guarantee that they are appropriate for the risks for which they were created. Assessment of operational effectiveness over time ensures that the procedures continue to be appropriate throughout the financial disclosure period.

c) Roles and responsibilities within the internal control and risk management system

Apart from the duties of each company manager as described in point a), the main participants in the system for the internal control of the financial disclosure process are as follows:

- the Chief Executive Officer and the Financial Reporting Manager pursuant to Art. 154-*bis* of the TUF, who are responsible for defining and assessing specific control procedures governing risks involved in the process of drawing up the accounting documents;
- the Control and Risks Committee, which analyses the results of the audit of the internal control and risk management system and reports periodically to the Board of Directors on the actions to be taken;
- the Oversight Committee pursuant to Italian Legislative Decree 231/01, which monitors for corporate offences pursuant to Italian Legislative Decree 231/01, identifying risk scenarios and verifying first-hand that control regulations have been respected. The Oversight Committee also monitors compliance with and application of the Group's Code of Ethics.

11.6. Coordination between the parties involved in the internal control and risk management system

Coordination between the various parties involved in the internal control and risk management system (Board of Directors, Delegated Director, Internal Control and Risks Committee, Board of Statutory Auditors, Internal Audit Officer, Financial Reporting Manager and Independent Auditor) occurs through a continuous flow of information between these parties and the provision of regular meetings, which allows adequate visibility of business risks impending and managed in the Eurotech Group and of the issues raised and brought to the attention of the different supervision and control bodies.

On 12 March 2020, the Board of Directors, pursuant to the provisions of Criterion 7.C.1 of the Corporate Governance Code, expressed an opinion on the adequacy of the above methods of coordination between the various parties involved in the internal control and risk management system.

12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

At its meeting of 12 November 2010, the Company's Board of Directors, with a prior positive opinion given by the Control and Risks Committee, adopted the Committee's Regulations on related party transactions and a dedicated procedure for related party transactions (the "**Related Party Procedure**"), adopted pursuant to CONSOB Regulation no. 17221 of 12 March 2010, as subsequently amended ("**Related Party Regulation**") and effective starting from 1 January 2011.

As part of the annual verification of the Related-Party Procedure, pursuant to Art. 3 of said procedure and in accordance with CONSOB Communication no. DEM/10078683, the Board, most recently at its meeting of 13 November 2018, taking note of the Committee's opinion, approved the new Related Party Procedure.

The Related Party Procedure and the related annexes can be found on the Issuer's website at www.eurotech.com, in the "Investors/Corporate Governance" section.

In applying the Related Party Procedure, the Company also takes account of CONSOB communication DEM/10078683, published on 24 September 2010, which contains indications and guidelines for the implementation of the Related Party Regulation.

The Related Party Procedure governs the identification, approval and management of related party transactions. Specifically, the Related Party Procedure:

- governs methods for identifying related parties, defining methods and schedules for the preparation and updating of the list of related parties, and identifying the business departments involved;
- defines rules to identify related party transactions before completion;
- regulates procedures for the execution of related party transactions by the Company, including via subsidiaries pursuant to Art. 2359 of the Italian Civil Code or subject to management and coordination activity;
- establishes methods and a schedule for fulfilling the obligations of disclosure to the corporate bodies and the market.

Pursuant to the Related Party Procedure, Directors who have an interest in the transaction must promptly and exhaustively inform the Board of Directors of the existence of the interest and its circumstances, assessing, on a case-by-case basis, whether to leave the Board meeting at the time of the resolution or abstain from voting. In the case of the Chief Executive Officer, they shall refrain from carrying out the transaction. In such cases, the resolutions of the Board of Directors shall adequately justify the reasons and convenience for the Company of the transaction.

Committee for Related Party Transactions

On 12 November 2010, the Board of Directors also resolved to create a Committee for Related Party Transactions, comprising Independent Directors and performing all the tasks set out in the Related Party Procedure.

The Committee for Related Party Transactions presently in office was appointed by the Board of Directors during its meeting of 26 April 2017. Its members are Chiara Mio (Chairperson), Riccardo Costacurta and Carmen Pezzuto, all non-executive independent directors.

The Committee for Related Party Transactions performs all the activities required by the Related Party Procedure. Specifically, the Committee for Related Party Transactions is authorised to issue, before approval and/or execution of related party transactions, a non-binding reasoned opinion on the interest for the

Company in performing these transactions, and the convenience and substantive correctness of the relative terms.

The Committee for Related Party Transactions meets at the registered office or in other locations mutually agreed by its members, whenever the Committee Chairperson deems necessary, as frequently as required to fulfil the tasks assigned to the Committee or when a Committee member makes a reasoned request to the Chairperson.

Members of the Board of Statutory Auditors may attend meetings of the Committee for Related Party Transactions; on a case-by-case basis, depending on the transaction concerned, persons authorised to approve and/or execute transactions (including persons tasked with leading discussions related to the transaction), and/or persons whose attendance is deemed useful in conducting the meeting, may also attend.

The Chairperson of the Committee for Related Party Transactions is responsible for calling meetings and setting the agenda. At least three days' notice is given for meetings of the Committee for Related Party Transactions. The meeting may be called by fax or e-mail. If the meeting is urgent (the Chairperson must assess whether this is the case), it may be called by telephone with one day's notice. The Committee for Related Party Transactions may also validly meet without notice if all its members are present.

Meetings of the Committee for Related Party Transactions are valid if the majority of its members are present, and resolutions are made by majority of those present, with abstentions not included in the result.

Meetings may also take place via tele-conferencing or video-conferencing systems, provided that all the participants can be identified and that they can follow the discussion, speak in real time as agenda items are being discussed and transmit and receive documents, and provided that the context of examination and resolution can be guaranteed. If these conditions exist, the meeting is regarded as taking place at the location of the Chairperson and the Secretary. In the event of emergency, the Chairperson has the power to communicate with the Committee members in writing, taking minutes of the resolutions adopted.

During the year, the Committee for Related Party Transactions held two meetings on 8 March 2019 and 2 September 2019 which were duly recorded in the minutes. The meeting concerned the analysis of the questionnaires received and annual assessment of the adequacy of the current Related Party Procedure. During this year a meeting was held on 2 March 2020.

The meetings lasted 30 minutes on average.

During the year, the Committee for Related Party Transactions performed its duties in accordance with the Procedure.

13. APPOINTMENT OF STATUTORY AUDITORS

Pursuant to Art. 26 of the Bylaws, the Board of Statutory Auditors is comprised of three Statutory Auditors and two Substitute Auditors. Their term is for three financial years and expires on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term. They may be re-elected. The Statutory Auditors must satisfy the requirements, including those governing the possession of various positions at the same time, envisaged by law and other applicable provisions. Pursuant to Art. 1(3) of Ministry of Justice Decree 162 of 30 March 2000, research, development, production and marketing of software, systems, and devices in the IT, electronic and electro-mechanical sectors must be considered strictly related to Company activities.

With reference to the rules of the balance between genders in the composition of control bodies pursuant to Art. 148, paragraph 1-*bis* of the TUF, the new rules on the balance between genders will be applied - also taking into account Communication no. 1/20 of 30 January 2020[1] - on the occasion of the renewal of the

[1] See Communication No 1/20 of 30 January 2020 concerning "*Clarifications on the amendments to the provisions of Articles 147-ter and 148 of Legislative Decree 58/98 (TUF) on gender balance in the bodies of listed companies introduced by Law No 160 of 27 December 2019 ("Budget Law 2020")*".

Board of Statutory Auditors by the next Shareholders' Meeting called to approve the financial statements as at 31 December 2019.

In particular, with regard to the amendments introduced by the Budget Law No 160/2019, CONSOB, with the aforesaid Communication No 1/20 of 30 January 2020, clarified that - pending an adjustment of the regulations - as part of the supervisory activity on the regulations in question, it will consider the criterion of rounding up to the next higher unit (provided for by paragraph 3 of Art. 144-*undecies*.1 of the Issuers' Regulations) inapplicable, due to arithmetical impossibility, in relation to corporate bodies made up of three members. Therefore, with reference to the latter, Consob will consider rounding down to the lower unit to be in line with the new rules.

In observance of the regulations in force regarding balance between genders, the Board of Statutory Auditors is appointed based on the lists the Shareholders submit, in which the candidates are listed by progressive number. The list comprises two sections: one for candidates for the post of Statutory Auditor and the other for candidates for the post of Substitute Auditor.

The lists containing a total number of candidates equal to or greater than three must be formed by candidates belonging to both genders so that the minimum pursuant to the abovementioned regulations belongs to the less represented gender.

Only those shareholders who, either individually or in combination with others, own voting shares equivalent to at least 2 (two) per cent of the voting capital at the Ordinary Shareholders’ Meeting, or representing any other percentage that may be established or cited by statutory or regulatory provisions, may submit lists. By management decision no. 28 of 30 January 2020 of the Head of the Corporate Governance Division, CONSOB set the minimum equity interest for submitting lists of candidates for the election of the Issuer’s control body at 4.5% of the share capital.

Ownership of the equity interest required, pursuant to the foregoing, for submission of the list, is declared according to the terms and methods provided for in the laws and regulations currently in force.

No shareholder, including shareholders in a relevant shareholders’ agreement pursuant to Art. 122 of the TUF, or the controlling shareholder, subsidiaries or companies subject to joint control pursuant to Art. 93 of the TUF, may submit or participate in the submission of more than one list or vote for different lists, either directly or through an intermediary or trust company. No candidate may run on more than one list, on penalty of ineligibility. The lists may not include candidates who (without prejudice to any other cause of ineligibility or forfeiture) do not satisfy the requirements set out in any applicable law or if they fall within the cases referred to in Art. 148(2) of the TUF.

Outgoing Statutory Auditors may be re-elected. The submitted lists must be deposited at the registered office of the Company at least twenty-five days before the scheduled date of the Shareholders’ Meeting on its single call, and mention thereof shall be made in the meeting notice, without prejudice to any other forms of public notice and procedures of deposit required pursuant to any applicable laws and regulations. If, when the deadline for the submission of lists has passed, only one list has been submitted, or only lists presented by shareholders with significant relationships pursuant to the applicable laws and regulations currently in force, lists may also be submitted within the time period stipulated by the applicable rules in force; in this case the minimum equity interest threshold is halved.

The lists must contain:

a) information on the identities of the Shareholders presenting the lists, indicating their total percentage equity interest;

b) a statement by shareholders other than those that individually or jointly own a controlling or relative majority equity interest in the Company, attesting to the absence of relationships with the latter pursuant to current laws and regulations;

c) complete information about the candidates’ experience and qualifications, and statements from the candidates attesting to their satisfaction of legal requirements and acceptance of candidacy, as well as a list of any management and control positions held at other companies.

Any list that does not comply with the foregoing requirements will be regarded as null and void.

The Statutory Auditors are elected as follows:

1) two Statutory Auditors and one Substitute Auditor are elected from the list receiving the highest number of votes at the Shareholders' Meeting, according to their numerical order of listing in the respective sections of the list;

2) one Statutory Auditor, who is appointed Chairperson of the Board of Statutory Auditors, and a Substitute Auditor are elected from the list that receives the second highest number of votes at the Shareholders' Meeting and that, pursuant to applicable laws and regulations, is not directly or indirectly associated with the shareholders that submitted or voted for the list receiving the highest number of votes, according to their numerical order of listing in the respective sections of the list. In the case of a tie vote between two or more lists, the most senior candidates in terms of age shall be elected.

If the composition of the Board of Statutory Auditors is not ensured by following the procedures set out above, the necessary replacements of its Statutory Auditors will be made in compliance with the regulations in force concerning gender balance with candidates for the office of statutory auditor on the list that received the highest number of votes, following the progressive order of the candidates listed.

A Statutory Auditor forfeits his/her position in the cases envisaged by law and regulation, and when the requirements established in the Bylaws for his/her candidacy are no longer satisfied. When a Statutory Auditor's seat is vacated, it is filled by the Substitute Auditor elected on the same list as that of the former Statutory Auditor. However, the Board of Statutory Auditors must always be chaired by the Statutory Auditor elected on the minority slate and the composition of the Board of Statutory Auditors must comply with the regulations in force concerning gender balance. When the Shareholders' Meeting is required to appoint Statutory and/or Substitute Auditors to expand the Board of Statutory Auditors, it proceeds as follows: when Auditors elected from the majority list are to be replaced, the appointment is made by relative majority vote without list restrictions; when Auditors elected from the minority list are to be replaced, the Shareholders' Meeting makes the appointment by relative majority vote, choosing between the candidates on the same list as that of the outgoing Auditor, provided that regulations concerning the balance between genders are observed. When this procedure does not permit, for any reason, the replacement of Auditors on the minority list, the Shareholders' Meeting will vote by relative majority; however, the results of this last vote may not include the votes of the shareholders who, according to the notices served pursuant to applicable laws and regulations, own directly or indirectly or jointly with other shareholders in a relevant shareholders' agreement pursuant to Art. 122 of the TUF, the relative majority of exercisable votes at the Shareholders' Meeting, or the votes of the shareholders that control, are controlled or are subject to joint control with them. However, the balance between genders regulations in force must always be observed. The preceding provisions for election of Statutory Auditors do not apply at the Shareholders' Meetings where only one list is submitted or only one list is voted. In these cases, the Shareholders' Meeting resolves by relative majority, provided that the balance between genders regulations are observed.

14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

On 26 April 2017, the Ordinary Shareholders' Meeting appointed the Company's Board of Statutory Auditors, consisting of Gianfranco Favaro, Laura Briganti and Gaetano Rebecchini as Statutory Auditors, and Clara Carbone and Turello Nicola as Substitute Auditors, for a term of three financial years, and in any case until approval of the financial statements for the year ending 31 December 2019. The election took place on the basis of a single list submitted by the shareholder Leonardo S.p.A., also in the name and on behalf of its shareholder Roberto Siagri and Dino Paladin, which obtained 9,659,666 votes in favour, representing 96.503% of the voting capital (equal to 9,659,666 ordinary shares).

Table 3 attached to this Report lists the members of the Board of Statutory Auditors in office at the date of this Report.

For more information about the list filed for the appointment of the control body, please refer to the Company's website at www.eurotech.com, in the “Investors” section, where the curricula vitae of the Directors are also available.

The following table shows the other positions held by members of the Board of Statutory Auditors, at the date of this Report, at companies pursuant to Book V, Title V, Chapters V, VI and VII of the Italian Civil Code.

First name and Surname	Company	Management and supervisory positions
Gianfranco Favaro	Eurotech S.p.A.	Chairperson of the Board of Statutory Auditors
	Sinloc - Sistemi iniziative locali S.p.A.	Chairperson of the Board of Directors
	Casa dello Studente A. Zanussi Pordenone	Chairperson
	Investitori Associati Consulenza SIM S.p.A.	Director
	Fondazione Friuli	Vice Chairperson
	AF Società di Amministrazione Fiduciaria S.p.A.	Director
	I.R.S.E.	Director
	SI.GE.CO S.r.l.	Director
	Energia S.p.A.	Statutory Auditor
	Madia S.p.A.	Statutory Auditor
	Tessaro S.p.A.	Statutory Auditor
	Scarpis S.r.l.	Statutory Auditor
	Creative Consulting S.p.A.	Statutory Auditor
	Cospedil S.r.l.	Substitute Statutory Auditor
	O.M. S.r.l.	Substitute Statutory Auditor
	Refel S.p.A.	Member of Oversight Committee
	Ambiente e servizi S.p.A.	Member of Oversight Committee
	Autopiù S.p.A.	Substitute statutory auditor
	Tecnomek S.p.A.	Substitute statutory auditor
	Un.Art.servizi S.r.l.	Substitute statutory auditor
Laura Briganti	Eurotech S.p.A.	Statutory Auditor
	Precisa Revisione S.r.l.	Chairperson of the Board of Directors
	Gaiafin S.r.l.	Chairperson of the Board of Directors
	Terre di Chiara S.r.l. agricola in liquidation	Chairperson of co-liquidators
	Bassi Antonio S.r.l. – In Liquidation	Liquidator
	A.b.r. di Bassi S.r.l. – In Liquidation	Liquidator
	G.V.F. S.p.A.	Chairperson of the Board of Statutory Auditors
	Sportur S.p.A.	Statutory Auditor
	FARE S.r.l. a S.U.	Sole Auditor
	SANBON S.r.l. a S.U.	Sole Auditor

	Publifan S.r.l. Agrifan S.r.l. a S.U. D.D. S.r.l.	Sole Auditor Sole Auditor Sole Auditor
Gaetano Rebecchini	NextChem S.r.l. Prelios S.r.l. Citylife Sviluppo 2 S.r.l. AD Moving S.p.A. Eurotech S.p.A. Citylife Sviluppo 5 S.r.l. HR Services S.r.l. Prelio Valutations & e-Services S.p.A. Sementi Dom Dotto S.p.A. Gedi S.p.A. C.S.C. S.p.A. APM Terminals Vado Ligure S.p.A. Taranto Logistica S.p.A. Imprebanca S.p.A. Orienta S.p.A. Stile Costruzioni Edili S.p.A. Junior Residence S.p.A. Finuguento S.p.A. Great Lenghts Universal Hair Extensions S.r.l. Val di Chienti S.C.p.A. Edilizia Romana Borghi ERBO S.p.A. Relabor S.r.l. Finnat Fiduciaria S.p.A Noverca S.r.l. Autostrade Tech S.p.A. Tangenziale di Napoli S.p.A. QXN S.C.p.A. 4G Retail S.r.l. Axix Tetail Partners S.p.A. Busitalia Simet S.p.A. IGEI S.p.A. in Liquidation Mercitalia Logistics S.p.A.	Chairperson of the Board of Statutory Auditors Statutory Auditor Statutory Auditor Statutory Auditor Statutory Auditor Statutory Auditor Statutory Auditor Statutory Auditor Statutory Auditor Chairperson of the Board of Statutory Auditors Statutory Auditor Statutory Auditor Statutory Auditor Independent director Statutory Auditor Statutory Auditor Statutory Auditor Statutory Auditor Statutory Auditor Statutory Auditor Chairperson of the Board of Directors Director Substitute Statutory Auditor Substitute Statutory Auditor Substitute Statutory Auditor Substitute Statutory Auditor Substitute Statutory Auditor Substitute Statutory Auditor Substitute Statutory Auditor Substitute Statutory Auditor Substitute Statutory Auditor Substitute Statutory Auditor

For information on the significant administrative and supervisory duties vested in the members of the Board of Statutory Auditors pursuant to Art. 144-*duodecies* et seq. of the CONSOB Issuer Regulation, also see the figures published by CONSOB pursuant to Art. 144-*quinquiesdecies* of the CONSOB Issuer Regulation, in the 'Parties and Markets/Positions of members of the control bodies' section on the www.consob.it website.

With regard to the company policies on diversity applied in relation to the composition of the Board of Statutory Auditors in office (Art. 123-*bis*, letter d-*bis*) of the TUF), it is noted that: (i) one Statutory Auditor and one Substitute Auditor belong to the less represented gender, in compliance with the legislation on gender balance; (ii) without prejudice to compliance with the professional requisites laid down by law, the education and professional path of the members of the Board of Statutory Auditors currently in office guarantees the skills required for ensuring the proper performance of the functions assigned to it.

Furthermore, the Board of Directors, in the explanatory report prepared pursuant to Art. 125-*ter* of the TUF, relating to the appointment of the Board of Directors and the Board of Statutory Auditors by the Shareholders' Meeting called to approve the financial statements as at 31 December 2019, will include the indications for shareholders, regarding the diversity policy in the composition of the Company's corporate bodies.

The Board of Statutory Auditors held 9 (nine) meetings during the financial year: 23 January, 19 February, 8 March, 27 March, 19 June, 2, 5 and 21 September, and 15 November.

The average meeting duration was about four hours and 12 minutes.

For the current year and limited to the term of office, at least 4 meetings are scheduled, three of which were already held on 23 January, 19 February and 6 March and the other one is scheduled on 27 March 2020.

At its meeting held on 13 February 2020 the Board of Statutory Auditors confirmed that its members still satisfied the requirement of independence in accordance with the TUF and the Corporate Governance Code. The results of this assessment will be included in the Statutory Auditors' Report to the Shareholders' Meeting, pursuant to Art. 153 of the TUF.

Any Statutory Auditor who, on his/her own account or on behalf of third parties, has an interest in a given transaction by the Issuer, shall promptly provide the other Auditors and the Chairperson of the Board of Directors with comprehensive information on the nature, terms, origin and scope of this interest. The Board of Statutory Auditors periodically monitors the independence of the Independent Auditor, verifying compliance with relevant regulatory provisions and the nature and scale of the services rendered. The results of the assessment are included annually in the report to the Shareholders' Meeting.

Attendance of the Chairperson of the Board of Statutory Auditors and Auditors at the meetings of the Board of Directors and the characteristics of board reporting enabled the Auditors to obtain adequate knowledge of the Issuer business, its dynamics and trends, as well as the relevant regulatory framework. For further induction activities carried out by the Statutory Auditors, reference should be made to Section 4.2 of this Report.

In carrying out its duties, the Board of Statutory Auditors regularly collaborated with the Control and Risks Committee through contact with the Internal Audit Officer. For information on coordination procedures, please refer to Section 11 above.

Pursuant to Art. 27 of the Company Bylaws, the Board of Statutory Auditors performs the functions delegated to it by law and other applicable regulatory provisions. In the case of the listing of the Company's shares on an Italian regulated market, the Board of Statutory Auditors also exercises all other duties and powers envisaged by special laws. The Directors must report to it on a quarterly basis pursuant to Art. 150 of the TUF. The Board of Statutory Auditor meetings may also be held by conference call and/or video conference, provided that: a) the Chairperson and the person taking the meeting minutes are present at the same meeting location; and b) all participants can be identified and can follow the discussion, receive, transmit and read documents, and orally participate in real time on all matters. If these requirements are satisfied, the meeting of the Board of Statutory Auditors is considered to be held at the location of the Chairperson and person taking the minutes.

The Company accounts are audited by a qualified Independent Auditor or firm of auditors (on point see supra par. 11.4).

***

It should be noted that Legislative Decree No 39/2010, as last amended by Legislative Decree No 135/2016, assigns the Board of Statutory Auditors with the functions of the Internal Control and Audit Committee (the "**Internal Control and Audit Committee**"), and in particular, it is responsible for:

- informing the competent body of the outcome of the statutory audit and sending it the additional report referred to in Art. 11 of Regulation No 537/2014, accompanied by any observations;
- monitoring the financial disclosure process and making recommendations or proposals to ensure its integrity;
- monitoring the efficacy of the company's internal quality control and risk management systems and, where appropriate, internal audit, as regards the financial disclosure of the audited entity, without violating its independence;
- monitoring the statutory audit of the separate and consolidated financial statements, also taking into account any results and conclusions of the quality controls carried out by CONSOB pursuant to Art. 26, paragraph 6, of Regulation No 537/2014, where available;
- verifying and monitoring the independence of the statutory auditors or firm of auditors in accordance with Articles 10, 10-*bis*, 10-*ter*, 10-*quater* and 17 of Legislative Decree 39/2010 and Art. 6 of Regulation No 537/2014, in particular as regards the adequacy of the provision of services not related to auditing, to the audited entity, in accordance with Art. 5 of said Regulation;
- being responsible for the procedure for the selection of statutory auditors or firms of auditors and to recommend the statutory auditors or firms of auditors to be appointed in accordance with Article 16 of Regulation No 537/2014.

For further details on the activities carried out during the financial year by the Board of Statutory Auditors, reference should be made to the report on the monitoring activities of the Board of Statutory Auditors.

In particular, with reference to the provisions of Art. 19 of Legislative Decree 39/2010, during the year, it also exchanged information by participating in special meetings with the Auditing Company and the 231 Supervisory Body, and the attendance of the Board of Statutory Auditors at the meetings of the Control and Risks Committee has been identified as a "modus operandi", in order to be able to exchange information useful for discharging duties assigned by the regulations in accordance with the specific areas of competence.

15. SHAREHOLDER RELATIONS

The Company believes that it has a specific interest, as well as duty to the market, in establishing a continuous dialogue based on mutual understanding of roles with the majority of shareholders and institutional investors. This dialogue must be conducted in compliance with the procedure governing external disclosure of corporate documents and information.

On 8 August 2008, the Company's Board of Directors appointed Andrea Barbaro as Head of relations with institutional investors and other shareholders (Investor Relator), in order to ensure fair, continuous and complete communication in accordance with Art. 2.2.3.(3)(k) of the Stock Market Regulation, applicable to STAR-qualified issuers. Nonetheless, the disclosure of information regarding the Company in the course of these relations must be made in compliance with the internal Inside Information Regulation.

Disclosure is also provided by the prompt publication of corporate documents on the Company website. On the website investors can freely consult, in Italian and English, all press releases issued to the market, the Issuer’s periodical accounting documents, approved by the competent corporate bodies (annual financial report, half-year financial report, interim reports on operations), the Report on Corporate Governance and Ownership Structure and documentation distributed at meetings with professional investors, analysts and the financial community.

They can also find the Company Bylaws, documentation provided for Shareholders' Meetings, communications related to Internal Dealing, this Report on corporate governance and any other document whose publication on the Issuer's website is mandatory under the applicable regulations. Remember that to transmit or to store the Regulated Information the Issuer has decided to use the authorised mechanism called “1info”, accessible at the website www.1info.it,

16. SHAREHOLDERS' MEETING AND SHAREHOLDERS' RIGHTS

Pursuant to Art. 8 of the current Company Bylaws, only shareholders with voting rights may take part in the Shareholders' Meeting. Legitimacy of participation in the Shareholders' Meeting and the exercising of voting rights is established via communication to the Company by the intermediary legally authorised to keep the accounts, on the basis of records in the accounts as at the end of the accounting day on the seventh open market day preceding the date set for the Shareholders' Meeting in single call, and received by the Company in accordance with the law. Shareholders with voting rights may, by law, be represented by proxy.

Ordinary and Extraordinary Shareholders' Meetings are convened, by law, at the Company's registered office or at any other location indicated in the meeting notice, provided that it is within Italy.

Pursuant to Art. 6 of the Company Bylaws, Ordinary and Extraordinary Shareholders' Meetings may be held via videoconference or tele-conference with participants in more than one location, whether adjoining or remote, provided that the principles of collective decision-making, good faith and parity of Shareholder treatment are respected.

The agenda for the Shareholders' Meeting is established by the person exercising the power to call the meeting, pursuant to law and the Company Bylaws, or, if the meeting is called at the request of the shareholders, on the basis of the items to be discussed indicated in the request.

Pursuant to Art. 9 of the Company Bylaws, those with the right to participate in the Shareholders' Meeting, either on their own account or on behalf of others, may by law be represented by proxy. Electronic proxy notification may be sent, as indicated in the meeting notice, either via a message to the certified electronic mailbox at the address provided in the notice, or via the dedicated section of the Company's website.

Pursuant to Art. 11 of the Company Bylaws, in order for the constitution and resolutions of the Shareholders' Meeting (whether Ordinary or Extraordinary) to be valid, the provisions of law and the Company Bylaws must be observed. As well as with the provisions of law and the Company Bylaws, the Shareholders' Meetings are conducted according to the specific Shareholders' Meeting Regulation as approved by the Shareholders' Meeting.

Art. 127-*ter* of the TUF establishes that only shareholders with voting rights may submit questions on the agenda even before the Meeting. Questions received before the Meeting will be answered during the meeting at the latest. The Company will have the opportunity to provide a single answer to questions having the same content. The notice of call shall specify a period within which the questions submitted before the Meeting must be received by the Company. The deadline may not be earlier than five open market days prior to the date of the Shareholders' Meeting on first or single call, or the record date pursuant to Article 83-*sexies*, paragraph 2 of the TUF (end of the accounting day of the seventh open market day prior to the date set for the Shareholders' Meeting) if the notice of call requires the Company to provide, prior to the Shareholders' Meeting, an answer to the questions received. In this case, answers shall be provided at least two days prior to the Shareholders' Meeting, also by publication in a special section of the Company's website; ownership of voting rights may be certified even after the questions have been sent, provided that this is done within the third day following the aforementioned record date.

In accordance with Principle 9.P.1 of the Corporate Governance Code, the Directors are required to encourage and facilitate the broadest possible participation of shareholders at Shareholders' Meetings. Since Company Shareholders' Meetings have always been held on an orderly basis, the Board of Directors does not currently deem it necessary to propose adoption of a specific regulation to govern the proceedings of Shareholders' Meetings.

The Directors and Statutory Auditors are also required to attend the Shareholders' Meetings, during which they are required to provide the shareholders with information regarding the Company in accordance with the rules governing price sensitive information.

As prescribed by Art. 10.2 of the Bylaws, the Chairperson of the Shareholders' Meeting is responsible for ascertaining the identity and legitimacy of those present, confirming that the Shareholders' Meeting was duly convened, and confirming the presence of a quorum of shareholders necessary for valid resolution.

At Shareholders' Meetings during the year, the Directors and Statutory Auditors, to ensure that shareholders took decisions falling within the scope of the meeting in an informed manner, provided shareholders with Company information in accordance with current regulations on price sensitive information.

A Meeting was held on 30 April 2019, which 5 Directors attended.

Pursuant to Art. 3, paragraph 2 of the Bylaws, in the event of a resolution to extend the term of the Company, Shareholders who do not approve the resolution will not have the right of withdrawal.

According to the provisions of Art. 29 of the Bylaws, the net profits identified in the financial statements, minus the portion allocable to the legal reserve up to the legal limit, are allocated by resolution of the Shareholders' Meeting. Specifically, the Shareholders' Meeting, at the proposal of the Board of Directors, may resolve to create and increase other reserves. With regard to shareholders' rights that are not described in this Report, see the applicable laws and regulations currently in force.

***

At its meeting of 12 March 2019, pursuant to Application Criterion 9.C.4 of the Code, the Board did not find it necessary to propose to the Shareholders' Meeting amendments to the Bylaws relating to the percentage established for the exercising of minority rights following the significant change in the market capitalisation of the shares of the Company, insofar as, pursuant to Art. 144-*quater* of the CONSOB Issuer Regulation, for the submission of lists for the appointment of members of the Board of Directors and Board of Statutory Auditors, Art. 14 and 26 of the Issuer's Bylaws stipulate respective thresholds of 2.5% and 2% of the voting capital or any different percentage established or prescribed by legal or regulatory provisions. Note in this regard that, with management decision No 28 of 30 January 2020 of the Head of the Corporate Governance Division, CONSOB set the minimum equity interest for submitting lists of candidates for the election of the management and Issuer's control bodies at 4.5% of the share capital.

17. OTHER CORPORATE GOVERNANCE PRACTICES

The Issuer does not use corporate governance structures other than those set out in the legal and regulatory standards described in this Report.

18. CHANGES SINCE THE END OF THE REPORTING PERIOD

Eurotech has not made any changes to the corporate governance structure during the year, other than those specifically identified in this Report.

19. CONSIDERATIONS ON THE LETTER OF 19 DECEMBER 2019 FROM THE CHAIRPERSON OF THE CORPORATE GOVERNANCE COMMITTEE

The letter of 19 December 2019 from the Chairperson of the Italian Corporate Governance Committee to the Chairpersons of the Boards of Directors of Italian listed companies was brought to the attention of the Chairperson of Board of Directors, to the Chairperson of Statutory Auditors and the Chairperson of Control and Risk Committee through an email on 27 December 2019 and afterwards was brought to the attention of the Board of Directors and board of Statutory Auditors at the meeting held on 12 March 2020.

The Board has taken note of the analyses and recommendations contained in the letter and has noted the overall adequacy of the Company with respect to the indications relating to the inclusion of the sustainability of the business activity in the definition of the strategies and remuneration policy (see paragraph 11 of this Report, as well as the Remuneration Report prepared pursuant to Art. 123-*ter* of the TUF), the adequacy of the management of information flows to the Board of Directors (see paragraph 4.3 of this Report), the application of the criteria of independence (see paragraph 4.6 of this Report), the adequacy - with respect to the competence, professionalism and commitment required by their office - of the remuneration paid to non-executive directors and members of the control body (see the Remuneration Report prepared pursuant to Art. 123-*ter* of the TUF).

TABLES

TABLE 1 - INFORMATION ON THE OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE

	No. of shares	% of the share capital	Listed	Rights and obligations
Ordinary shares	35,515,784	100%	MTA/STAR Segment	Every share entitles the shareholder to one vote. The rights and duties of shareholders are set out in Art. 2346 et seq. of the Italian Civil Code

TABLE 2 - STRUCTURE OF THE BOARD OF DIRECTORS AND THE COMMITTEES

BOARD OF DIRECTORS													**Control and risks committee**		**Remuneration Committee**		**Eventual Appointments Committee**		**Eventual Executive Committee**		**Committee for Related Party Transactions**	
Position	Members	Year of Birth	Date first appointed	In office since	In office until	List (M/m) *	Exec.	Non-exec.	Indep. of the Code	Indep. of the TUF	(%) **	Number of other positions ***	****	**	****	**	****	**	****	**	****	**
Director and Chief Executive Officer	Roberto Siagri	1960	30/09/1992	26/04/2017:	Approval of financial statements at 31/12/2019	M	X				100	9					X	100				
Director	Chiara Mio	1964	05/05/2008	26/04/2017	Approval of financial statements at 31/12/2019	M		X	X	X	100	10	X	100	X	100	X	100			X	100
Director	Curti Susanna	1969	13/11/2019	13/11/2019	Next shareholders' meeting	---		X			0	5										
Director	Fumagalli Aldo	1959	13/11/2019	13/11/2019	Next shareholders' meeting	---		X			0	7										
Director	Marti Antongiulio	1984	13/11/2019	13/11/2019	Next shareholders' meeting	---		X			0	1										
Director	Dino Paladin	1954	24/04/2014	26/04/2017	Approval of financial statements at 31/12/2019	M		X			100	1										
Director	Riccardo Costacurta	1961	24/04/2014	26/04/2017	Approval of financial statements at 31/12/2019	M		X	X	X	100	0	X	100	X	100						
Director	Carmen Pezzuto	1967	26/04/2017	26/04/2017	Approval of financial statements at 31/12/2019	M		X	X	X	100	28	X								X	100
Director	Giulio Antonello	1968	24/04/2014	26/04/2017	Approval of financial statements at 31/12/2019	M		X	X	X	83	3			X		X	100			X	100

-------------------------------------DIRECTORS DEPARTED IN THE REPORTING PERIOD--------------------------------																						
Position	Name Surname																					
Chairperson of the Board of Directors	Giuseppe Panizzardi	1963	24/04/2014	26/04/2017	15/10/2019	M		X			100	3			X	100						
Director	Giorgio Mosca	1963	26/04/2017	26/04/2017	15/10/2019	M		X			100	0										
Director	Marina Pizzol	1969	14/05/2015	26/04/2017	15/10/2019	M		X			60	1	X	100								
Number of meetings held during the year: Control and Risks Committee: 5 Remuneration Committee: 2 Appointments Committee: 2 Executive Committee: / Committee for Related Party Transactions: 2																						
Specify the quorum required for presentation of the lists by the minority interest for election of one or more members (by-laws or pursuant to 147-*ter* of the TUF): 2.5%																						

NB:

*This column indicates whether the member was elected from the majority list (M) or minority list (m). See Section 4.2 of the Report.

**This column indicates the respective percentage attendance of the Directors at meetings of the Board of Directors and the committees (no. of times attended/no. of meetings held during the effective mandate of the party concerned).

***This column indicates the number of Director/Auditor positions held by the party concerned at other companies.

****This column indicates the membership of the Board of Directors member to the Committee with an "X".

TABLE 3 - STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Position	Members	Year of Birth	Date first appointed	In office since	In office until	List (M/m) *	Independence re. Code	** (%)	Number of other positions ***
Chairperson	Favaro Gianfranco	1954	24/01/2014	26/04/2017	Approval of financial statements at 31/12/2019	M	X	100%	19
Statutory Auditor	Briganti Laura	1961	24/04/2014	26/04/2017	Approval of financial statements at 31/12/2019	M	X	100%	12
Statutory Auditor	Rebecchini Gaetano	1987	26/04/2017	26/04/2017	Approval of financial statements at 31/12/2019	M	X	100%	31
------------------STATUTORY AUDITORS DEPARTED IN THE REPORTING PERIOD-----------------									
Indicate the required quorum for presentation of the lists at the time of the last appointment: 2.5%									
Number of meetings held during the year: 9									

NB:
*This column indicates whether the member was elected from the majority list (M) or minority list (m). See Section 14 of the Report.
**This column indicates the percentage attendance of the Statutory Auditors at meetings of the Board of Statutory Auditors (no. of times attended/no. of meetings held during the effective mandate of the party concerned).
***Indicates the total number of offices held at the companies pursuant to Book V, Title V, Chapters V, VI and VII of the Italian Civil Code. For information on the significant administrative and supervisory duties vested in the members of the Board of Statutory Auditors pursuant to Art. 144-*duodecies et seq.* of the CONSOB Issuer Regulation, also see the figures published by CONSOB pursuant to Art. 144-*quinquiesdecies* of the CONSOB Issuer Regulation, in the 'Parties and Markets/Positions of members of the control bodies' section on the www.consob.it website.

Page intentionally left blank

Consolidated financial statements at 31 December 2019 prepared according to international accounting standards

Consolidated statement of financial position

(€'000)	Notes	at December 31, 2019	*of which related parties*	at December 31, 2018	*of which related parties*
ASSETS					
Intangible assets	1	88,905		85,369	
Property, Plant and equipment	2	6,565		2,579	
Investments in other companies	3	162		160	
Deferred tax assets	32	7,981		3,025	
affiliates companies and other Group companies	34	89	89	87	87
Other non-current assets	4	665		654	
Total non-current assets		104,367		91,874	
Inventories	5	21,256		21,998	
Contracts in progress	6	-	-	86	86
Trade receivables	7	11,707	-	13,808	1,000
Income tax receivables	8	269		298	
Other current assets	9	2,115		2,183	
Other current financial assets	11	108	15	104	10
Cash & cash equivalents	10	30,687		13,196	
Total current assets		66,142		51,673	
Total assets		170,509		143,547	
LIABILITIES AND EQUITY					
Share capital		8,879		8,879	
Share premium reserve		136,400		136,400	
Other reserves		(20,623)		(43,237)	
Group shareholders' equity	13	124,656		102,042	
Equity attributable to minority interest	13	-		-	
Total shareholders' equity	13	124,656		102,042	
Medium-/long-term borrowing	15	11,590		4,312	
Employee benefit obligations	16	2,604		2,465	
Deferred tax liabilities	32	3,097		3,035	
Other non-current liabilities	18	1,060		782	
Total non-current liabilities		18,351		10,594	
Trade payables	19	11,562	-	14,411	132
Short-term borrowing	15	7,001		8,125	
Derivative instruments	36	44		20	
Income tax liabilities	8	1,182		1,571	
Other current liabilities	20	7,713		6,784	
Total current liabilities		27,502		30,911	
Total liabilities		45,853		41,505	
Total liabilities and equity		170,509		143,547	

Consolidated income statement

(Migliaia di Euro)	Notes	FY 2019	of which related parties	FY 2018	of which related parties
Revenues from sales of products and services	F	101,973	326	79,083	808
Other revenues	27	1,135		1,035	
Cost of materials	22	(50,022)	-	(41,527)	0
Service costs	24	(13,204)	-	(12,269)	(1)
Lease & hire costs		(338)		(1,594)	
Payroll costs	25	(20,383)		(18,197)	
Other provisions and other costs	26	(1,077)		(717)	
Cost adjustments for in-house generation of non-	28	2,451		2,314	
Depreciation & amortisation	29	(3,914)		(2,064)	
Asset impairment	29	(10)		(220)	
Operating profit		16,611		5,844	
Subsidiaries management	31	-		(19)	
Finance expense	30	(1,002)		(1,056)	
Finance income	30	516	3	855	3
Profit before taxes		16,125		5,624	
Income tax	32	3,117		58	
Net profit (loss)		19,242		5,682	
Minority interest		-		0	
Group net profit (loss) for period		19,242		5,682	
Base earnings (losses) per share	14	0.554		0.166	
Diluted earnings (losses) per share	14	0.554		0.166	

Consolidated statement of comprehensive income

(€'000)	Notes	FY 2019	FY 2018
Net profit (loss) before minority inerest (A)		19,242	5,682
Other elements of the statement of comprehensive			
Other comprehensive income to be reclassified to profit or loss insubsequent periods:			
Net profit/(loss) from Cash Flow Hedge	35	(24)	(11)
Tax effect		-	-
		(24)	(11)
Foreign balance sheets conversion difference		2,001	3,406
Exchange differences on equity investments in foreign companies	14	725	1,645
Tax effect		-	-
		725	1,645
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)		*2,702*	*5,040*
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on defined benefit plans for employees	16	(136)	36
Tax effect		30	(4)
		(106)	32
After taxes net other comprehensive income not being reclassified to profit orloss in subsequent periods (C)		*(106)*	*32*
Comprehensive net result (A+B+C)		21,838	10,754
Comprehensive minority interest		-	-
Comprehensive Group net profit (loss) for period		21,838	10,754

Statement of changes in consolidated shareholders' equity

(€'000)	Notes	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
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 December 31, 2018		-	-	-	-	-	-	-	-	-	5,682	5,682	-	5,682
Comprehensive other profit (loss):														
- Hedge transactions	36	-	-	-	-		(11)	-	-	-	-	(11)	-	(11)
Actuarial gains/(losses) on defined benefit plans for employees	17	-	-	-	-	-	-	31	-	-	-	31	-	31
- Foreign balance sheets conversion difference		-	-	-	3,406	-			-	-	-	3,406	-	3,406
- Exchange differences on equity investments in foreign companies	14	-	-	-	-	-	-	-	1,645	-	-	1,645	-	1,645
Total Comprehensive result		**-**	**-**	**-**	**3,406**	**-**	**(11)**	**31**	**1,645**	**-**	**5,682**	**10,753**	**-**	**10,753**
- Performance Share Plan	18	-	-	-	-	(422)	-	-	-	1,014	-	592	-	592
Balance as at December 31, 2018		8,879	1,385	136,400	12,223	(63,924)	(20)	(425)	3,925	(2,083)	5,682	102,042	-	102,042

(€'000)	Notes	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2018		8,879	1,385	136,400	12,223	(63,924)	(20)	(425)	3,925	(2,083)	5,682	102,042	-	102,042
2018 Result allocation		-	391	-	-	5,291	-	-	-	-	(5,682)	-	-	-
Profit (loss) as at December 31, 2019		-	-	-	-	-	-	-	-	-	19,242	19,242	-	19,242
Comprehensive other profit (loss):														
- Hedge transactions	36	-	-	-	-		(24)	-	-	-	-	(24)	-	(24)
- Actuarial gains/(losses) on defined benefit plans for employees	17	-	-	-	-	-	-	(106)	-	-	-	(106)	-	(106)
- Foreign balance sheets conversion difference		-	-	-	2,001	-			-	-	-	2,001	-	2,001
- Exchange differences on equity investments in foreign companies	14	-	-	-	-	-	-	-	725	-	-	725	-	725
Total Comprehensive result		**-**	**-**	**-**	**2,001**	**-**	**(24)**	**(106)**	**725**	**-**	**19,242**	**21,838**	**-**	**21,838**
- Performance Share Plan	18	-	-	-	-	(274)	-	-	-	1,050	-	776	-	776
Balance as at December 31, 2019		8,879	1,776	136,400	14,224	(58,907)	(44)	(531)	4,650	(1,033)	19,242	124,656	-	124,656

Consolidated cash flow statement

CONSOLIDATED STATEMENT OF CASH FLOWS (€'000)	Notes	at December 31, 2019	of which related parties	at December 31, 2018	of which related parties
CASH FLOWS GENERATED BY OPERATIONS:					
Group net profit (loss) for period		19,242		5,682	
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:					
Depreciation & amortization intangible assets, property, plant and equipm	29	3,924		2,284	
Write-down of receivables	7	140		76	
Interest income	30	(28)		(24)	
Interest expenses	30	560		465	
Impairment of investments in other companies	3/31	-		30	
Gain from investments in associates copanies		-		(11)	
Income taxes (paid) get		(2,362)		(516)	
Income taxes of the period	32	(3,117)		(58)	
Stock Grant expenses	17	776		592	
Provision for (use of) cumulative inventory write-down	5	525		1,150	
Provision for (use of) long-term employee severance indemnities	16	33		153	
Provision for (use of) risk provision	18	278		94	
Changes in current assets and liabilities					
Trade receivables	7	2,213	1,000	2,265	(748)
Other current assets	8/9	136		(479)	
Inventories and contracts in process	5	704		(4,265)	
Trade payables	20	(3,097)	(132)	900	(17)
Other current liabilities	8/20	982		2,239	
Total adjustments and changes		1,667		4,895	
Cash flow generated (used) in operations		20,909		10,577	
CASH FLOW FROM INVESTMENT ACTIVITIES:					
Sales of tangible and intangible assets	1/2	27		28	
Interest income	30	28		24	
Purchase of intangible fixed assets	1	(3,055)		(2,533)	
Purchase of tangible fixed assets	2	(1,290)		(704)	
Decreases (Increases) other financial assets	11	(4)		(9)	
Net investments in long-term investments and non-current assets		(13)		(63)	
Cash flow generated (used) by non-current assets classified as held for sale		-		20	
Cash flow generated (used) in investment activities		(4,307)		(3,237)	
CASH FLOW FROM FINANCING ACTIVITIES:					
Loans taken	15	13,725		5,000	
Interest paid	30	(560)		(465)	
(Repaid) loans short and medium/long term	15	(12,321)		(5,440)	
Cash flow generated (absorbed) by financial assets		844		(905)	
Net foreign exchange difference		45		16	
Increases (decreases) in cash & cash equivalents		17,491		6,451	
Opening amount in cash & cash equivalents	10	13,196		6,745	
Cash & cash equivalents at end of period	10	30,687		13,196	

Explanatory notes to financial statements

A – Corporate information

The publication of the consolidated financial statements of Eurotech S.p.A. for the financial year ended 31 December 2019 was authorised by resolution of the Board of Directors on 12 March 2020. Eurotech S.p.A. is a joint stock company incorporated and domiciled in Italy. The Group has its registered office in Amaro (UD), Italy.
Eurotech is a group active in the research, development, and marketing of miniaturised computers and high-performance computers featuring high computing capacity. Moreover, within this business line it provides complete solutions or building blocks and products for the Internet of Things through intelligent devices and an intelligent proprietary connectivity and communications platform. For more information, see Note F.

B – Reporting policies and IFRS compliance

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and approved by the European Commission pursuant to article 6 of EC Regulation no. 1606/2002 of the European Parliament and European Council of 19 July 2002 by 31 December 2019, as well as to the measures enacted to implement article 9 of Italian Legislative Decree no. 38/2005. IFRSs include all international accounting standards that have been revised (IAS) and all the interpretations of the International Financial Reporting Interpretation Committee (IFRIC), formerly the Standing Interpretations Committee (SIC).
Consolidated financial statements are based on recognition at cost, except for derivative financial instruments, and the equity investments in other companies recognised at fair value and with the assumption that the company will continue as a going concern. The Group has assessed that, though the global economic environment is difficult, there are no material uncertainties (as these are defined in paragraph 25 of IAS 1) with regard to the business as a going concern, also in consideration of the actions taken to address this situation, industrial flexibility, the existing order portfolio and the opportunities available.
The Group applied the content of CONSOB Resolution no. 15519 of 27 July 2006 on the subject of financial statements.

The accounting standards applied are the same as those used at 31 December 2019, except for the following new or revised IFRSs or IFRICs, applied for the first time by the Group as of 1 January 2019.

The standards, amendments and interpretations that became effective on 1 January 2019.. The application of these standards, amendments and interpretations, with the exception of IFRS 16 “Leases” whose effects are described in Note 33, had no particular impact on the Group’s consolidated financial statements, as they govern cases that are not relevant, or entail only financial disclosure:

Leases – IFRS 16 – the standard replaces IAS 17 on leases, and results in considerable impacts on the financial statements of lessees; in fact, in defining a single model for accounting recognition of leases, the distinction between operating lease and financial lease was eliminated. This entails the recognition of an asset for the right of use and a liability for the lease.
For the purpose of presenting the impacts of the first-time adoption of IFRS 16 in the financial statements, the Group decided to make use of the practical expedient envisaged by IFRS 16 paragraph C5 lett. b) and paragraph C8, according to which the Group recognised a financial liability (€4.65 million) at 1 January 2019, corresponding to the present value of the remaining payments due for leases outstanding at the first-time adoption date, discounted using the marginal borrowing rate at the date of initial application (average discount rate applied round 3%), with a balancing entry in property, plant and equipment for

the same amount that reflects the right to use the leased assets, without restating the previous years presented for comparison purposes.

Annual Improvements to the IFRSs – 2015-2017 Cycle - On 12 December 2017, the IASB made a number of amendments as part of the annual programme of improvements to the standards; most of the amendments are clarifications or corrections of existing IFRSs, or amendments consequent to changes previously introduced to the IFRSs.

Plan Amendment, Curtailment or Settlement - IAS 19 - On 7 February 2018, the IASB published the amendments to the standard, specifying the procedures to use to determine the costs relating to pension payments for the remaining applicable period if there were changes to a defined benefit plan.

Uncertainty over Income Tax Treatments - IFRIC 23 - On 7 June 2017, IASB issued this interpretation which provides instructions on how to reflect, in the context of recognising income taxes, the uncertainties on the tax treatment of a given phenomenon.

Prepayment Features with Negative Compensation - IFRS 9 - On 12 October 2017, the IASB published the amendments to the standard, aimed at permitting measurement, at the amortised cost or the far value through other comprehensive income (OCI), of financial assets characterised by a prepayment option with "negative compensation".

Investments in associates and joint ventures - IAS 28 - The published amendments are needed to clarify that IFRS 9 applies to long-term loans to an associate or joint venture that actually form part of the net investment in the associate or joint venture.

Accounting standards, amendments and interpretations not yet applicable and not yet early adopted by the Group:

Business Combinations - IFRS 3 - On 22 October 2018, the IASB published the amendments to IFRS 3 to identify the criteria whereby an acquisition of a company or a group of assets would not, as such, satisfy the definition of business provided under IFRS 3. These amendments shall apply for business combinations made starting from 1 January 2020.
Amendments to IAS 1 and IAS 8 - On 31 October 2018, the IASB published the amendments to IAS 1 and IAS 8, clarifying the definition of "material information" in order to establish whether to add a disclosure to the financial statements or not. These amendments shall apply from 1 January 2020.

Amendments to references to Conceptual Framework in IFRS standards - On 29 March 2018, the IASB published the revised version of the Conceptual Framework for Financial Reporting. The amendments aim to update the existing references in various accounting standards and in different interpretations which are now out of date.
These amendments will be applicable starting from the financial statements for the financial years that start on January 1, 2020 or later.

Reform of the reference indices for the determination of interest rates - Amendments to IFRS 9, IAS 39 and IFRS 7 - On 26 September 2019 the IASB published the reform of the reference indices for the determination of interest rates (amendments to IFRS 9, IAS 39 and IFRS 7) in order to take into account the consequences of the reform on financial reporting and so that companies can continue to comply with the provisions assuming that the reference indices for the determination of existing interest rates are not changed following the reform of interbank rates.
Consistent with the changes introduced by the IASB, Regulation (EU) 2020/34 published in the Official Journal of the European Union of 16 January 2020 amends Regulation (EC) no. 1126/2008.
The regulation should be applied at the latest from the start date of their first financial year beginning on January 1, 2020 or later.

The consolidated financial statements were drafted in Euro, rounding amounts to the nearest thousand unless otherwise indicated. The financial statements consist of the Statement of financial position, Income Statement, Statement of comprehensive income, Statement of changes in shareholders' equity, Cash Flow Statement, and the following Explanatory Notes.

The data used for consolidation have been taken from the Income Statements and Statement of financial positions prepared by the Directors of individual subsidiaries. These figures have been appropriately amended and restated as necessary to align them with international accounting standards and with uniform group-wide classification policies.

C – Discretionary evaluations and relevant accounting estimates

The preparation of the Group's financial statements requires all directors to make subjective assessments, estimates and assumptions that may affect the value of revenues, expenses, assets, liabilities, their disclosure and contingent liabilities at the reporting date. However, uncertainties about such assumptions and estimates may determine effects which will require significant adjustments to the accounting value of said assets and/or liabilities.

Discretionary evaluations
In applying Group accounting policies, directors made decisions based on the following discretionary evaluations (not including those involving estimates) with a significant effect on the values posted in the financial statements:

Recognition of revenues - Sale of components
According to directors, sales of components made by the Group to outsourcers (which use these components in their operations and subsequently resell their products to the Group) imply a continued relationship with the transferred assets and do not give rise to collection of the contracted consideration. Consequently, on the basis of IFRS 15, these transactions are not recognised as sales.

Uncertainty in the estimates
The estimates at year-end are reviewed periodically and could lead to significant adjustments in the carrying value of the assets and liabilities within the subsequent financial period. Estimates are used to recognise:

Impairment of non-financial assets
At every reporting date, the Group tests for impairment of all non-financial assets.

Specifically, goodwill and other intangible assets with an indefinite useful life (trademarks) are submitted to review at least annually and during the year to check for impairment; this check requires the Group to make an estimate of the value in use of the cash-generating unit to which goodwill and other intangible assets with a definite useful life are attributed, in turn based on the estimated cash flows expected from the unit, time-discounted at an appropriate rate.
At 31 December 2019, the book value of goodwill was €72,980 thousand (2018: €70,898 thousand). Further details are provided in Note 1.

Other non-financial assets are annually tested for impairment when there is evidence that the assets may be impaired.

In preparing calculations to determine value in use, directors need to estimate expected cash flows from operations or from the cash-generating unit and choose a discount rate that can adequately calculate the present value of these cash flows. Further details and a sensitivity analysis of key assumptions are provided in Note 1.

Deferred tax assets
Deferred taxs are recognised against all temporary differences and tax losses carried forward, to the extent that future taxable profits are likely that can absorb said temporary differences or that can use said tax losses. The Board of Directors is required to make a significant discretionary evaluation to determine the amount of deferred taxes that can be posted. Directors have to determine the most likely timing and amount of future taxable profits and a planned strategy of future taxes payable.

At 31 December 2019, the unrecognised tax losses carried by the Parent Company and the Allowance for Corporate Equity (ACE) on the basis of the tax consolidation were estimated at €24.8 million (2018: €42,5 million), which can be carried forward without limitation. In the Group as a whole, unrecognised tax losses and ACE came to €27,0 million (2018: €53,2 million), which can be carried forward without limitation.
The amount of tax losses arising from previous financial years, not recognised in the past and used to reduce the current tax burden, amounted to €14.6 million.

Development costs
Development costs are capitalised as per the accounting standard described in Note E. Initial cost capitalisation is based on the Directors' assessment of the technical and economic feasibility of the project, normally when the project itself has reached a certain stage in the development plan and it is likely that the asset will generate future economic benefits. In order to determine capitalised amounts, Directors need to make assumptions about expected future cash flows from fixed assets, discount rates to be applied and periods in which benefits will accrue. At 31 December 2019 the best estimate of the book value of capitalised development costs was €6,414 thousand, of which €2,724 thousand are in progress (2018: €5,755 thousand, of which €3,268 thousand are in progress).

Other items subject to estimates
Estimates are also used to recognise provisions for risks on receivables, for inventory obsolescence and slow movement or impairment, amortisation, write-downs of assets, employee benefits, taxes and provisions for risks and charges, to determine the total costs of jobs and the respective state of progress, in order to record deferred tax assets and allocate the purchase price of business acquisitions.
Furthermore, with reference to the estimate on the effects of COVID-19, these are currently not quantifiable in economic, equity and financial terms.

D – Scope of consolidation

The consolidated financial statements include the annual financial statements of the Parent Company, Eurotech S.p.A., and the Italian and foreign subsidiaries in which Eurotech directly or indirectly (through subsidiaries and affiliates) exercises control since it holds valid rights giving it the current capacity to manage significant assets, i.e. the assets that significantly affect returns of the investee.
The companies included in the basis of consolidation on a line-by-line basis at 31 December 2019 are as follows:

Company name	Registered offices	Share capital	Group share
Parent company			
Eurotech S.p.A.	Via Fratelli Solari, 3/A – Amaro (UD)	EUR 8,878,946	
Subsidiaries consolidated line-by-line			
Aurora S.r.l.	Via Fratelli Solari, 3/A – Amaro (UD)	EUR 10,000	100.00%
EthLab S.r.l.	Via Dante, 300 – Pergine Valsugana (TN)	EUR 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.	Vénissieux (France)	EUR 795,522	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Via Piave, 54 – Caronno Varesino (VA)	EUR 51,480	100.00%
Advanet Inc.	Okayama (Japan)	JPY 72,440,000	90.00% (1)

(1) The Group officially owns 90% of the company, but as Advanet holds 10% of the share capital in the form of treasury shares, it is fully consolidated.

Affiliates consolidated at equity			
Rotowi Technologies S.p.A. in liquidation (formerly U.T.R.I. S.p.A.)	Via Carlo Ghega, 15 – Trieste		21.31%
Other smaller companies valued at fair value			
Kairos Autonomi Inc.	Sandy – UT (USA)		19.00%

There were no changes with regard to subsidiaries and affiliates compared with 31 December 2018.

The consolidated financial statements at 31 December 2019 did not contain significant transactions or unusual events apart from what is reported in the explanatory notes to the financial statements.

E – Accounting standards and policies

Accounting basis

The Consolidated Financial Statements consist of the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the Explanatory Notes.
In the Statement of Financial Position, assets and liabilities are classified according to the "current/non-current" criterion, with specific separation of the assets held for sale and the liabilities associated with assets held for sale, if any. Current assets, including cash and cash equivalents, are those held to be realised, sold or consumed within the normal operating cycle of the Group or within the twelve months following the end of the year. Current liabilities are those whose extinction is expected within the normal operating cycle of the Group or within the twelve months after the end of the year.
The Income Statement is classified based on the nature of the costs, while the Cash Flow Statement is presented using the indirect method.

Consolidation policies

The Consolidated Financial Statements include the Financial Statements of Eurotech S.p.A. (Parent company) and its subsidiaries, drafted at 31 December of each year. The Financial Statements of the subsidiaries are drawn up using the same accounting standards as for the Parent Company; any consolidation adjustments are carried out to make consistent the items affected by the application of different accounting standards. All intragroup balances and transactions, including any unrealised profits deriving from relationships between Group companies, are completely derecognised. The portion pertaining to the Group of unrealised profits and losses with affiliates is derecognised. Unrealised losses are derecognised, except in cases where they represent impairment.

Subsidiaries are fully consolidated from the acquisition date, i.e. the date at which the Group acquires control, and cease to be consolidated on the date at which control is transferred outside the Group.

Losses are attributed to minority interests, if there are any, even when this gives rise to a negative balance for minority shareholdings.

Changes in the equity interest of the Parent Company in a subsidiary that do not involve loss of control are booked as equity transactions. Specifically, in the case of acquisitions of minority interests, the difference between the price paid and the book value of the portion of the net assets purchased is posted directly to equity.

If the Parent Company loses control of a subsidiary, it:

- derecognises the subsidiary's assets (including any goodwill) and liabilities;
- derecognises the book value of any minority interest in the former subsidiary;
- derecognises cumulative exchange rate differences recognised in equity;
- recognises the fair value of the payment received;
- recognises the fair value of any equity interest retained in the former subsidiary;
- recognises any profit or loss in the income statement;
- restates the portion held by the Parent Company of the components previously posted to the statement of comprehensive income to the income statement or to retained earnings, as appropriate.

Conversion of foreign currency items and financial statements from non-euro currency

The Consolidated Financial Statements are presented in Euro, which is the functional and presentation currency used by the Group. Each Group entity determines its own functional currency, which is used to value the items in the individual financial statements.

Transactions in foreign currency are initially recognised at the exchange rate (in relation to the functional currency) in force at the transaction date. Monetary assets and liabilities denominated in foreign currency are converted to the functional currency at the exchange rate in force at the reporting date. All exchange rate differences are posted to the income statement, except for differences deriving from loans in foreign currency that form part of a net investment in a foreign company, which are recognised directly in equity until the net investment is disposed of, at which time it is recognised in the income statement. Taxes and tax receivables attributable to exchange rate differences on these loans are also posted directly to equity. Non-monetary items valued at historic cost in foreign currency are translated using the exchange rates in force at the date at which the transaction is initially recognised. Non-monetary items posted at fair value in foreign currency are converted using the exchange rate in force at the date of calculation of this value.

Any goodwill deriving from the acquisition of a foreign operation, and any changes in fair value that change the book values of the assets and liabilities deriving from the acquisition of this foreign operation, are booked as assets and/or liabilities of the foreign operation. These values are therefore expressed in the functional currency of the foreign operation and are translated at the exchange rate in force at the reporting date.

Before 1 January 2005, the Group chose to treat goodwill, and any changes in fair value that change the book value of the assets and liabilities at the time of acquisition, as Group assets and liabilities. Therefore, these assets and liabilities are already expressed in the presentation currency or they are non-monetary items, and there is therefore no further translation difference.

The functional currency used by the US subsidiaries Eurotech Inc. and E-Tech USA Inc. is the US dollar; the functional currency used by the UK subsidiary Eurotech Ltd. is the UK pound; and the functional currency used by the Japanese subsidiary Advanet Inc. is the Japanese yen.

At the reporting date, the assets and liabilities of these subsidiaries were translated to the presentation currency of the Eurotech Group (the Euro) at the exchange rate in force on this date, while the income statement was converted using the average exchange rate for the year. Exchange rate differences arising from the conversion of income statement items at a different rate from that in force at the reporting date, and those arising from the translation of opening equity at a different rate from that in force at the reporting date, are recognised directly in equity and presented separately in a dedicated reserve. When a foreign company is disposed of, the cumulative exchange rate differences recognised in equity relating to that particular foreign company are posted to the income statement.

The schedule below shows the exchange rates used, as issued by the Italian Foreign Exchange Bureau:

Currency	Average 2019	As of December 31, 2019	Average 2018	As of December 31, 2018
British pound sterling	0.87777	0.85080	0.88471	0.89453
Japanese Yen	122.00577	121.94000	130.39588	125.85000
USA Dollar	1.11948	1.12340	1.18096	1.14500

Accounting policies

The accounting standards and policies applied to draft the Consolidated Financial Statements for the year ended 31 December 2019 are shown below.

Intangible assets

Intangible assets acquired separately are initially capitalised at cost, while assets acquired through business combinations are booked at fair value. After initial recognition, intangible assets are booked net of accumulated amortisation and accumulated value losses. Intangible assets produced in-house, except for development costs, are not capitalised and are reported in the income statement in the year in which they are incurred. The useful life of intangible assets is valued as definite or indefinite.
Intangible assets with a definite useful life are amortised throughout their useful life and submitted to congruence tests whenever there are indications of possible impairment. The period and method of amortisation to be applied are re-examined at the end of each financial year or more frequently as necessary. Changes in the expected useful life and the methods with which future economic benefits related to intangible assets are achieved by the Group are posted by modifying the period or method of amortisation, as adjusted, and treated as modifications of the accounting estimates. Amortisation allowances of intangible assets with definite useful life are reported in the income statement in the cost category matching the function of the intangible asset.
Intangible assets with indefinite useful life are submitted to annual impairment testing on an individual or cash-generating unit basis. No amortisation is reported for these assets.

Profits or losses arising from the sale of an intangible asset are measured as the difference between the net proceeds of the sale and the book value of the intangible asset and are recognised in the income statement when the asset is derecognised.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are booked using the purchase method. The purchase cost is measured as the sum of the payment made at fair value at acquisition date and the amount of any minority interest in the acquiree. For every business combination, the acquirer must value any minority interest in the acquiree at fair value or in proportion to the share of the minority interest in the identifiable net assets of the acquiree. Acquisition costs are paid and classified in administrative expenses.
When the Group acquires a business, it must classify or designate the financial assets acquired or liabilities assumed in accordance with the contractual terms and financial conditions and other pertinent conditions existing at acquisition date. This includes establishing whether an embedded derivative must be separated from the primary contract.
If the business combination is carried out in more than one stage, the acquirer must recalculate the fair value of the equity interest previously held and valued using the equity method, recognising any resulting profit or loss in the income statement.
Any potential payment must be recognised by the acquirer at fair value at acquisition date. Changes in the fair value of the potential payment classified as an asset or liability shall be recognised, pursuant to IFRS 9, in the income statement or as other components of comprehensive income. If the potential payment is classified in equity, its value must not be recalculated until its extinction is booked against equity.
Goodwill is initially valued at cost, calculated as the excess between the sum of the payment made and the amount recognised for minority interests, and the identifiable assets acquired and liabilities assumed by the Group. If the payment is less than the fair value of the net assets of the acquired subsidiary, the difference is posted to the income statement.
After initial recognition, goodwill is valued at the reduced cost of the accumulated impairment losses. For the purposes of the impairment test, goodwill acquired in a business combination must, at acquisition date, be allocated to every Group cash-generating unit expected to benefit from the combination, aside from the fact that the other assets or liabilities of the acquired entity are assigned to these units.
If goodwill is allocated to a cash-generating unit and the entity sells part of the assets of this unit, the goodwill associated with the asset sold must be included in the book value of the asset when calculating the gain or loss deriving from the disposal. The goodwill associated with the asset sold must be calculated on the basis of the relative values of the asset sold and the portion retained by the cash-generating unit.

Business combinations before 1 January 2010

Differences by comparison with the above policies are set out below.
Business combinations were booked using the purchase method. Transaction costs directly attributable to the combination were regarded as part of the purchase cost. Minority interests were calculated according to the portion of the identifiable net assets of the acquiree pertaining to minorities.
Business combinations carried out in stages were booked at separate times. Each new acquisition of shares did not affect the goodwill previously recognised.
The potential payment was recognised if, and only if, the Group had a current obligation, and cash outflows were probable and the estimate could be reliably calculated. Subsequent changes to the potential payment were booked as part of goodwill.

On first-time adoption of IFRS, the Group decided to not apply IFRS 3 – Business Combinations retroactively to acquisitions made before 1 January 2004; as a result, goodwill generated on acquisitions prior to the date of transition to IFRS was maintained at the previous value, determined according to Italian accounting standards, subject to testing and adjustment for impairment.

Research and development costs

Research costs are recognised in the income statement at the time they are incurred.

Development costs incurred with reference to a specific project are only capitalised when the Group can demonstrate (a) that it is technically practicable to complete the intangible asset so as to make it available for use or for sale; (b) that it intends to complete said asset for use or for sale; (c) the way in which it will probably generate future benefits; (d) the availability of technical, financial and all other resources needed to complete the asset; and (e) its ability to reliably determine the costs attributed to the asset throughout its development.
Capitalised developed costs are amortised over the period in which all future expected revenues will occur.
During the development period, the asset is re-examined annually to verify potential impairment. After the initial recognition, development costs are assessed at cost, minus any other amortisation or accumulated losses. Amortisation of the asset begins as soon as development is completed and the asset becomes available for use. If future economic benefits are no longer available, they will be written down in the year in which this occurs.
All other development costs are reported in the income statement in the period they are incurred.

Patents and trademarks

Patents have been granted by the competent body for a minimum of ten years with renewal option by the Group if the patent continues to produce utility over time.
Trademarks acquired separately are initially recognised at cost inclusive of ancillary charges. Trademarks acquired through business combinations are recognised at their fair value measured at the acquisition date.
Following initial recognition, trademarks are recorded at cost, net of accumulated amortisation and any accumulated impairment losses.
Trademarks with a definite useful life recognised in the statement of financial position are amortised over a period of between 8 and 10 years and subject to impairment testing whenever a loss of value is indicated. Its useful life is reviewed on an annual basis.
Trademarks with an indefinite useful life are not amortised but are subject to impairment testing at least annually.

Registration costs in other countries of trademarks and patents developed internally are recorded in the income statement when they are incurred.

Other intangible assets

Other intangible assets purchased or produced internally are recorded as assets, in accordance with IAS 38 “Intangible Assets”, when it is likely that the asset will generate future economic benefits and when the cost of the asset can be reliably determined.
Intangible assets with a definite useful life recognised within a business combination, such as customer relationships and order portfolios, are initially recognised at fair value at the date of acquisition, separately from goodwill, if this value can be reliably determined. After initial recognition, they are recognised net of related accumulated amortisation and of any impairment determined in the same way

as for property, plant and equipment. Customer relationships are amortised on a straight-line basis in a period of 5 to 10 years, while amortisation of the order book correlates to the processing of orders in the book at the time of acquisition.
Useful life is re-assessed annually, and any changes are applied prospectively as necessary.

Gains or losses arising from the sale of an intangible asset are measured as the difference between the net revenues from the sale and the book value of the intangible asset and are recognised in the income statement when the asset is derecognised.

Property, plant and equipment

The value of property, plant and equipment is stated at historical cost, including any direct ancillary charges for making the asset suitable for the use for which it was intended, increased, where relevant and in the case of current obligations, by the current value of the estimated cost for disposal or removal of the asset. If significant portions of these property, plant and equipment have different useful lives, these components are booked separately. Land, whether the site of buildings or free from construction, is not depreciated since it is considered to have an unlimited life.

The value of a building, subject to revaluation in periods prior to 1 January 2004 (the date of transition to IFRS), is recognised according to fair value at the transition date and this value is the replacement cost starting from that date (deemed cost).

Property, plant and equipment are listed net of respective accumulated depreciation and any impairment determined according to the methods described below. Depreciation is calculated on a straight-line basis, according to the estimated life of the asset for the company, which is re-examined annually and adjusted for changes on a case-by-case basis. The main technical depreciation rates used are based on the useful life of each individual item:

Buildings	33 years
Plant and machinery	from 7 to 10 years
Industrial and commercial equipment	from 4 to 6 years
Production equipment	from 4 to 6 years
Furniture and fixtures	from 7 to 10 years
Electronic office equipment	from 3 to 5 years
Automobiles and motor vehicles	from 4 to 5 years

The book value of property, plant and equipment is tested for impairment if events or situational changes indicate that the carrying value cannot be recovered. If there is such an indication and if the carrying value exceeds the estimated realisable value, the assets are written down to reflect their realisable value. The realisable value of property, plant and equipment is the higher of its net selling price and value in use.

In determining value in use, estimated future cash flows are discounted to their current value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. For assets that do not generate cash flows independently, the realisable value is determined in relation to the cash-generating unit to which the asset belongs. Impairment is booked in the income statement under amortisation, depreciation and write-downs. The initial value is reinstated if the causes of impairment in previous financial years are no longer valid.

At the time of the sale or when future economic benefits no longer exist on the use of an asset, it is derecognised from the statement of financial position and related losses or gains (calculated as the differences between the sale price and the carrying value) are reported in the income statement in the year of its elimination.

The residual value of the asset, useful life and methods applied are reviewed annually and adjusted if necessary at the end of every financial year.

Financial charges incurred for investments in assets for which there is generally a certain period of time to make the asset ready for use or sale (qualifying assets, pursuant to IAS 23 "Borrowing Costs") are capitalised and depreciated throughout the useful life of the class of assets to which they refer. All other financial charges are recognised in the income statement as they are incurred.

Equity investments in affiliates

Equity investments in affiliates, in which the Eurotech Group has significant influence, are valued using the equity method. The income statement reflects the Group share of the results of the associate. Equity investments in an associate are booked in the income statement at cost, increased by subsequent changes pursuant to acquisition of the Group share in the net assets of the associate, according to the net equity method. Goodwill relating to the associate is included in the book value of the shareholding and is not subject to amortisation or to impairment testing.

The Group share of the profits of the associate is recognised in the income statement. This share represents the profits of the associate attributable to shareholders, and therefore profits net of tax and the portions payable to the other shareholders of the associate.

If an associate enters adjustments directly in equity, the Group recognises its share and posts it, where applicable, in its statement of changes in shareholders' equity. Gains and losses arising from transactions between the Group and the associate are derecognised in proportion to the investment in the associate.

If the Group share of losses exceeds the carrying value of the equity investment, the latter is derecognised and the surplus is recorded in a special reserve in the amount in which the Group has legal or implicit obligations toward the subsidiary to cover its losses or, in any event, to make payments on its behalf.

After applying the equity method, the Group assesses whether it is necessary to recognise a further impairment of its equity investment in the associate. The Group makes this assessment at every reporting date if there is objective evidence of impairment of the equity interest in the associate. If this is the case, the Group calculates the impairment as the difference between the recoverable value of the associate and the carrying value of the associate in its statement of financial position, recognising this difference in the annual income statement and classifying it under "Group share of the results of affiliates".

When significant influence over the associate has been lost, the Group calculates and recognises any residual equity investment at fair value. Any difference between the carrying value of the equity investment at the date of loss of significant influence and the fair value of the residual investment and of the payments received must be posted to the income statement.

Affiliates end their financial year on the same date as the Group; when the accounting policies used do not comply with those used by the Group, they are adjusted at year-end to make them the same as those used by Group for transactions and events of the same nature and occurring in similar circumstances.

Equity investments in other companies

Financial assets constituting equity investments in companies that are not affiliates or joint ventures (generally with a percentage ownership of less than 20%) are called investments in other companies and form part of the category of financial assets measured at fair value, that normally corresponds, upon first recognition, to the consideration paid for the transaction, including the directly attributable transaction costs.

Changes after measurement at fair value are recognised in the income statement (FVPL) or if an option provided for by the standard is exercised, in the statement of comprehensive income (FVOCI) under "Reserve instruments to the FVOCI". For equity investments measured at FVOCI, impairment is never recognised in the income statement, or the accumulated profits or losses if the investments are sold; the dividends distributed by the investee are recognised in the income statement only when:

- the Group obtains the right to receive the dividend payment;
- it is probable that the financial benefits resulting from the dividend will accrue to the Group:
- the amount of the dividend can be accurately measured.

Other non-current assets

Receivables and other long-term financial assets held until expiration date are booked at cost, represented by the fair value of the initial amount given in exchange, increased by applicable transaction costs. The initial carrying value is subsequently adjusted to take account of capital refunds and any write-downs or amortisation of the difference between the repayment value and the initial posted value. Amortisation is charged according to the effective internal interest rate, which is the rate that equalises, at the time of their initial recognition, the current value of expected cash flows and the initial posted value (amortised cost method).

Inventories

Inventories, except for work in progress, are stated at the lower of the purchase or production cost and the estimated realisable value represented by the amount that the company expects to obtain from their sale in the course of normal operations.

The cost of raw materials and finished products is calculated by applying the average weighted purchase cost for each transaction, including all ancillary purchase charges.

The production cost of finished and semi-finished products comprises the direct cost of raw materials and labour plus a portion of general production expenses calculated according to standard production capacity, excluding any financial charges.

Obsolete and/or slow-turnover inventories are written down, through the registration of a specific fund, based on their current potential use or on future realisation. The write-down is reversed in subsequent periods if the reason for maintaining it no longer exists.

Contracts in progress

Contracts in progress are valued according to the contractual amounts that have accrued with a reasonable degree of certainty, in accordance with the percentage-of-completion method, so as to attribute revenues and profits to the relevant individual accounting periods, in proportion to completion status. The progress of the contract is determined as the contract costs incurred for work performed to date as a proportion of the estimated total contract costs. The positive or negative difference between the value of the contracts accrued at year-end and the amounts billed is booked respectively under liabilities or assets in the statement of financial position.

Contract revenues, in addition to contract considerations, include changes, price adjustments, and recognition of incentives to the extent to which it is probable that these represent actual revenues that can be reliably determined. Actual losses are recognised regardless of the state of progress of works.

Financial assets

The Group classifies financial assets on the basis of the categories identified by IFRS 9:
- financial assets measured at amortised cost;
- assets measured at fair value through other comprehensive income (FVOCI);
- assets measured at fair value through profit or loss (FVTPL).

Financial assets measured at amortised cost
The financial assets that meet the following requirements are classified in this category: (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. It mainly involves trade receivables and loans. With the exception of trade receivables that do not contain a significant financial component, the other receivables and loans are initially recognised at their fair value on the financial statements. On the other hand, trade receivables that do not contain a significant financial component are recognised at the price defined for the relative transaction (determined in accordance with the provisions of the IFRS 15 standard Revenue from Contracts with Customers). When the assets are subsequently measured, those belonging to that category are measured at amortised cost, using the effective interest rate. Any doubtful debt provision is determined with the forward looking approach through a three-stage model: 1) recognition of the expected losses in the first 12 months from initial recognition of the credit assuming that the credit risk has not increased; 2) recognition of the lifetime expected credit losses if the credit risk increases significantly from the initial recognition of the credit; interest is calculated on the gross carrying amount; 3) recognition of any other lifetime expected credit losses when the loss occurs; the interest is recognised on a net basis (the amortised cost is revised since the Internal Rate of Return changes as there is a change in the cash flows due to the occurrence of the trigger event).

Financial assets measured at fair value through comprehensive income (FVOCI)
The financial assets that meet the following requirements are classified in this category: (i) the asset is held within a business model whose objective is achieved by collecting the contractual cash flows that come from sale of the asset itself; and (ii) the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Capital instruments are also classified in this category (equity investments in which the Group does not have either control or significant influence) for which the Group applies the option given from the principle of measuring those instruments at fair value with an impact on the comprehensive income.
These assets are initially recognised in the financial statements at their fair value; upon subsequent measurement, the measurement made upon recognition is updated, and any variations in fair value are recognised under the Other components of the statement of comprehensive income. Any write-downs for impairment, interest income or profits or loss for exchange rate differences are recognised in the Profits or Loss for the year.

Financial assets measured at fair value through profit and loss (FVTPL)
All financial assets that do not meet the requirements, in terms of business model or cash flow characteristics, are classified in this category, for measurement at amortised cost or at fair value with an effect on the statement of comprehensive income. They mainly include derivative instruments; this category also includes listed and non-listed capital instruments that the Group has not irrevocably decided to classify as FVOCI upon initial recognition or during transition. The assets that belong to this category are classified as current or non-current assets in accordance with their maturity date, and recognised at fair value upon initial recognition. Upon subsequent measurement, the profits and losses

resulting from changes in fair value are accounted for in the consolidated income statement in the period in which they are recognised.

Impairment

The measurement of impairment of the financial assets measured at amortised cost is carried out on the basis of a model based on the expected losses on the receivables. According to that model, the financial assets are classified at stage 1, stage 2 or stage 3 according to their credit quality compared to initial disbursement.
More specifically:
Stage 1: includes (i) the newly acquired credit exposures; (ii) the exposures that have not undergone significant impairment of the credit risk compared to the date of initial recognition and (iii) the exposures with low credit risk.
Stage 2: includes the credit exposures that have undergone significant impairment of the credit risk compared to the date of initial recognition, even though they are not impaired.
Stage 3: includes the impaired credit exposures.
For exposures that belong to stage 1, the overall impairment equals the expected loss calculated on a time period of up to one year. For exposures that belong to stages 2 or 3, the overall impairment equals the expected loss calculated on a time period equal to the entire duration of the relative exposure.
The criteria to determine the write-downs to make to the receivables is based on discounting the expected principal and interest flows to present values. In order to determine the current value of the flows, the basic elements are the identification of the estimated collections, the date of collection and the discount rate to apply. More specifically, the loss amount is obtained as the difference between the carrying amount and the current value of the estimated cash flows, discounted at the original interest rate of the financial asset.
These assets are classified as current assets apart from those with a maturity of more than 12 months, which are included under non-current assets.

Derivatives

Derivative instruments entered into by the Group aim at managing the exposure to interest rate risk mainly relating to loan contracts.
On the date of entering into the contract, the derivative instruments are initially accounted for at fair value, and if the derivative instruments are not accounted for as hedging instruments, the changes in fair value recognised after first recognition are treated as operating components or financial components of the profit/loss for the year in relation to the nature of the instrument. On the other hand, if the derivative instruments meet the requirements to be classified as hedging instruments, the subsequent changes in fair value are accounted for by following the specific criteria provided by IFRS 9 indicated below. For each derivative financial instrument identified as a hedging instrument, its relationship with the hedged position is recorded, including the risk management objectives, the hedging strategy and the assessment of the effectiveness of the hedge. The effectiveness of each hedge will be checked both when taking out each derivative instrument and during its life. Hedging is generally considered to be "effective" if, both at the beginning and during its life, the changes in the fair value for fair value hedges or the expected future cash flows for cash flow hedges of the hedged element are substantially offset by the changes in fair value of the hedging instrument.
When the hedge relates to changes in fair value of assets or liabilities recorded on the financial statements (fair value hedge), both the changes in fair value of the hedging instrument and the changes in the hedged position are charged to the income statement.
If the hedging aims to neutralise the risk of changes in future cash flows originating from the future execution of transactions considered to be highly probable at the date of the financial statements (cash flow hedge), the changes in fair value of the derivative instrument recorded after the first recognition are accounted for as components of the overall profits or loss, to the extent of the effective amount only. When the financial effects caused by the hedged positions become manifest, the reserve is reversed back to the income statement among the operational components. If the hedge is not perfectly effective, the change in fair value of the hedging instrument, with respect to the ineffective potion, will be immediately recorded on the income statement. If, during the life of a derivative instrument, there is no longer an

expectation that the transaction the hedge was set up for will occur, the portion of "reserves" relating to that instrument will be immediately reversed back to that year's income statement. On the other hand, if the derivative instrument is sold or can no longer be classified as an effective hedging instrument, the portion of "reserves" representing the changes in fair value of the instrument, which had been recognised up to that point, is maintained as a component of the overall Profit or Loss and reversed back to the Income Statement following the above-mentioned classification criteria, at the same time as occurrence of the economic effects of the transaction originally hedged. The fair value of listed instruments in public markets is determined by referring to the closing prices for the period. The fair value of unlisted instruments is measured by referring to financial measurement techniques: the fair value of interest rate swaps is measured by discounting back the expected cash flows, while the fair value of the forward exchange rates is calculated on the basis of the market exchange rates on the applicable date and the expected rate differentials between the currencies involved.
The financial assets and liabilities measured at fair value are classified in the three hierarchical levels described below, on the basis of the relevance of the (input) information used to calculate their fair value. More specifically:
Level 1: financial assets and liabilities whose fair value is calculated on the basis of listed prices (not amended) on active markets for identical assets and liabilities;
Level 2: financial assets and liabilities whose fair value was calculated on the basis of other input besides the listed prices mentioned in Level 1, but that can be directly or indirectly observed (mainly: market exchange rates on the applicable date, the expected rate differentials between the currencies involved and volatility of the applicable markets, interest rates and the price of commodities);
Level 3: financial assets and liabilities whose fair value is calculated on the basis of input data that is not based on observable market data.
Financial assets are removed from the statement of financial position when the right to receive the cash flows from the instrument has come to an end, and the company has essentially transferred all the risks and benefits relating to the instrument and the relative control.

Treasury shares

Treasury shares purchased are deducted from equity according to the relative purchase cost. The purchase, sale, issue or cancellation of the company's own equity instruments does not entail recognition of any gain or loss in the income statement.

Cash and cash equivalents

Cash and cash equivalents include ready cash, i.e., values that are either available on demand or which can be quickly liquidated, will give good results and do not have collection costs. For the purposes of the consolidated cash flow statement, cash was represented gross of bank overdrafts at the reporting date.

Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their book value will be recovered through their sale rather than their continuous use, and are represented separately from other assets and liabilities in the consolidated Statement of financial position.
Non-current assets and disposal groups classified as held for sale are recognised at either their carrying value or their fair value, whichever is lower, net of sales costs; the corresponding values in the statement of financial position for the previous year are reclassified.

Financial liabilities

Financial liabilities, including financial payables, trade payables, other payables and other liabilities besides the derivative instruments, are initially recognised at fair value, and afterwards measured at the amortised cost not including the repayments of principal already made.
The payables and other liabilities are classified as current liabilities unless the Group has the contractual right to discharge its obligations at least twelve months following the date of the financial statements.
Financial liabilities are eliminated when they are discharged or when the specific obligation in the contract has been fulfilled, cancelled or expired.

Reverse factoring transactions
In order to guarantee facilitated access to credit for its suppliers, the Parent Company has set up factoring agreements, generally in the form of reverse factoring agreements. On the basis of the contractual structures in place, the supplier can assign, at its own discretion, the receivables owed from the Parent Company to a financial institution and collect the amount before it falls due; the supplier can also grant further extensions, agreed between the supplier and the Parent Company, to the payment terms provided for in the invoice. The extensions granted can be interest-bearing or non-interest bearing. Since the primary obligation is with the supplier, the relations between the parties stay the same and are therefore still classified under trade liabilities.

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or where applicable, part of a financial asset or part of a group of similar assets) is derecognised from the financial statements when:

- rights to receive the cash flows from the asset are extinguished;
- the Group holds the right to receive cash flows from the asset, but has undertaken a contractual obligation to pay for them in full and immediately to a third party;
- the Group has transferred the right to receive cash flows from the asset and (a) has essentially transferred all the risks and benefits of ownership of the financial asset or (b) has not transferred nor retained the risks and benefits of the asset, but has transferred its control.

If the Group has transferred the rights to receive cash flows from an asset and has neither transferred nor held all the risks and benefits or has not lost control of them, the asset is recognised in the Group financial statements to the extent of its residual involvement in the asset. Residual involvement. which takes the form of a guarantee on the transferred asset, is valued at the lesser of the initial book value of the asset and the maximum value of the amount that the Group could be required to pay.
If the residual involvement takes the form of an option issued and/or acquired on the transferred asset (including the options regulated by cash or similar), the amount of Group involvement corresponds to the amount of the transferred asset that the Group can re-acquire; however, in the case of a put option issued on an asset measured at fair value (including options regulated in cash or with similar dispositions), the measure of residual involvement of the Group is limited to the lesser between the fair value of the transferred asset and the strike price of the option.

Financial liabilities
A financial liability is derecognised from the financial statements when the obligation underlying the liability is extinguished, voided or completed.
If an existing financial liability is replaced by another by the same lender, at substantially different conditions, or the conditions of an existing liability are essentially changed, this exchange or change is treated like an accounting elimination of the original liability and a new liability is recorded, posting to the income statement any differences between the book values.

Employee benefit obligations

Benefits guaranteed to employees, paid concurrent to or subsequent to the cessation of the employment relationship through defined benefit plans or other long-term benefits (withdrawal indemnity) are recognised in the period when this right vests.

The Group implemented defined benefit and/or defined contribution pension plans, based on conditions and local practices in the countries where the Group operates.

Liabilities related to defined benefit programmes, net of any activities to service the plan, are determined based on actuarial assumptions and are recognised on an accrual basis consistent with the employment services necessary to obtain the benefits. The liabilities are valued by actuarial staff. Gains and losses arising from the actuarial calculation relating to the defined-benefit plan are fully recognised in the statement of comprehensive income in the period in which they occur. These actuarial gains and losses are immediately classified as retained earnings and are not reclassified in the income statement in the following reporting periods.

Pursuant to amendments to employee severance indemnities under Italian Law no. 296 of 27 December 2006 (2007 Budget Law) and following decrees and regulations, the severance indemnities of Italian companies accrued as of 1 January 2007 or the date employees choose the option they will exercise are included in the defined benefit plan category, both in the event of option for supplementary pension and option for allocation to the treasury fund at INPS. The accounting treatment of employee severance indemnity is now similar to that used for other types of pension scheme contributions.

Provisions for risks and charges

Provisions for risks and charges are allocated to cover losses or liabilities of a stated nature or of a certain or probable existence, the amount or date of which was not identified at year-end. Provisions are recognised when there is a current obligation (legal or implicit) arising from a past event that necessitates an amount of resources to meet the obligation and a reliable estimate can be made of the amount of the obligation. When the Group believes that a provision to the reserve for risks and charges is partly or totally repaid, e.g. in the case of risks covered by insurance policies, the indemnity is only recognised as a separate item in the assets if, and only if, it is virtually certain. In this case, the cost of the provision in the income statement is stated net of the amount recognised for indemnity.
Provisions are booked at the representative value of the best estimate of the amount that the company would pay to extinguish the obligation, or to transfer it to third parties at the reporting date. If the effect of time-discounting the value of the cash is significant, provisions are determined by time-discounting expected future cash flows at a pre-tax discount rate that reflects the current market evaluation of the cost of money in relation to the time. When time-discounting is performed, the increase in the provision due as time passes is recognised as a financial charge.

Liabilities for decommissioning
An accrual for decommissioning expenses was made against costs that some foreign operations will incur in future periods for the decommissioning, demolition, dismantling and removal of some fixed assets at the end of their useful life. A credit to the plant and machinery entry was stated as a contra entry.
Decommissioning costs are carried at the present value of expected costs needed to settle the obligation, by using estimated cash flows and a pre-tax discount rate that reflects the specific risks related to the decommissioning liability.
The unwinding of the discount is recognised in the income statement as it occurs. Estimated cash flows are revised annually and adjusted as appropriate. Any change in cost estimates or in the discount rate applied is used to reduce the costs of the asset.

Grants

Grants made by public bodies are recognised at fair value when it is reasonably certain that they will be received and the conditions provided for obtaining them are met.
If grants relate to cost components, they are recognised as revenues but are consistently spread out over the periods so that they refer to the costs they are intended to offset. If the grant is related to any activity or development activity whose value is recognised as a fixed asset, it directly reduces the value of the fixed assets.

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

Leases

Accounting in accordance with the new standard requires the lessee to present the following:
- in the statement of financial position: (i) the assets representing the right-of-use asset recognised by Eurotech under property, plant and equipment; (ii) the financial liabilities relating to the obligation to make the payments provided under the contract ("Lease liability");
- in the income statement: the amortisation/depreciation of the right-of-use asset and the interest expense accrued on the Lease liability (in the financial section) unless capitalised, noting it separately in the Explanatory Notes. The lease contract payments that meet the "short-term" and "low-value" requirements are also recognised in the income statement;

The application of the new standard had significant impacts on the financial position, capital position and cash flows of the Group due to:
(i) an increase in the fixed assets for the right-of-use assets among the assets;
(ii) an impact on the net financial debt due to the increase in the financial liabilities for lease payables;
(iii) an increase on the EBITDA and to a lesser extent, the EBIT, due to the reversal of the lease payments currently included under operating costs and a concurrent increase in the amortisation;
(iv) a small change in the net result due to recognition of the interest expense;
(v) improved net cash flows from operating activities that no longer include the lease payments that are not capitalised but the payments for interest expense on the Lease liability that is not capitalised;
(vi) lower net cash flows from financing activities that include the payments related to the reimbursement of the Lease liability.

For the details, please refer to Note 33 that summarises the effects resulting from the first-time adoption of the new standard.
The main contractual cases relating to leased goods, connected to specific asset categories that involve most of the Group companies are the following:
- property rental contracts;
- vehicles and office equipment.

The contractual cases, and their long-term duration, required a careful analysis for the definition of the assumptions to make in order to determine the impacts related to the new provisions of the standard. More specifically, the main assumptions adopted related to the following:
- the assessment of periods covered by extension options or the early termination in order to determine the duration of the lease contract;
- the discounting to present value rate used to determine the Lease liability represented by the borrowing rate of the lessee. This rate was defined by taking account of the duration of the lease contracts, the currency they are denominated in and the characteristics of the economic environment

where the lessees operate in, defined on the basis of the premium country risk assigned to the individual countries in which Eurotech operates.

Upon first-time adoption of the new standard, Eurotech operated as follows:

- it applied the modified retrospective approach, recognising the effect related to the retroactive recalculation of the amounts in the shareholders' equity at 1 January 2019 without restating the previous years that had been used for comparison purposes;
- it used the practical expedient whereby it did not have to apply the IFRS 16 to leases where the residual duration at 1 January 2019 was less than 12 months for all types of assets;
- it considered all the contracts that could be classified as leases on the basis of IFRS 16, without applying the "grandfathering" option (the option not to re-examine all the contracts existing at 1 January 2019, only applying IFRS 16 to the contracts that had previously been identified as leases on the basis of IAS 17 and IFRIC 4);
- it recognised a right-of-use asset at an amount corresponding to the Lease liability, adjusted, where necessary, to take account of any deferred charges for advances and without considering the direct initial costs incurred in years prior to 1 January 2019.

Additionally:

- the Lease liability was recognised at the current value of the lease payments due, discounted back using the Eurotech borrowing rate in effect at 1 January 2019; the variable payments linked to the use of an asset were not included in the Lease liability / Right of use of the asset, but were recognised, in accordance with the provisions of IFRS 16, in the income statement as a cost for the period;
- the renewal or early termination operations were analysed, where present, in order to establish the overall duration of the contract.

Assignment of stock grants to employees

The Group granted incentive plans based on instruments representing capital, on the basis of which the Group receives services from its employees, consultants or directors with delegation of authority in exchange for stock grants (units). The fair value of the services received is recognised as a labour cost. The total amount of the cost is determined based on the fair value of the granted units and a shareholders' equity reserve is its contra entry.

The total cost is recognised throughout the vesting period, which is the period during which all service conditions established for accrual of the rights must be met. The Group reviews the estimates based on the number of options expected to accrue on the basis of the accrual, and not the market, conditions on every reporting date. The effect of any changes from the original estimates is recognised in the consolidated income statement with contra entry in shareholders' equity.

Revenues and costs

Recognition of revenues

Revenues from contracts with customers are recognised on the basis of the temporary transfer of control of the goods and/or services to the customer. If the transfer of control is made while the item is being built or when the services are being provided, the revenue is recognised "over time", i.e. as the activity gradually progresses; on the other hand, if control is not transferred while the item is being built or the services are being given, the revenue is recognised "at a point in time", i.e. at the time of final delivery of the item or upon completion of provision of the services. In order to assess progress of the orders "over time", the Group has chosen the progress percentage criteria measured with the cost-to-cost method. When it is probable that the total costs of the order for its entire life exceed the total revenue corresponding to the total life, the potential loss is recognised immediately in the income statement.

In the case of contracts where the fees are expressed in a different currency besides the operating currency, the conversion to functional currency of the revenue accrued to the applicable financial statements date is carried out: i) at the invoicing exchange rate in effect for the invoiced portion and at

the exchange rate at the end of the period for the portion still to invoice; or ii) for hedging transactions, at the hedging exchange rate (in the case of hedging against exchange rate risks).
The portion of fees held back by the principal, or in any case subject to repetition in accordance with the contractual clauses since they are subject to fulfilling obligations after delivery are not acquired.

Interest

Interest income and expenses are recognised according to interest accrued on the net value of related assets and liabilities using the effective interest rate (the rate that discounts all future cash flows based on the expected useful life of the financial instrument to equal the net book value of the financial asset).

Dividends

Dividends are reported when the shareholders' right to receive payment is established.

Income tax

Current tax assets and liabilities for the period and for all prior periods are carried at the amount expected to be recovered or to be paid to the tax authorities pursuant to tax legislation in force. Tax rates and fiscal provisions used to calculate the amount are as issued or substantially issued at the reporting date of 31 December 2019.
Current taxes relating to elements recognised directly in equity are recognised directly in equity and not in the income statement.

Deferred tax liabilities are calculated using the liability method on temporary differences at the reporting date between tax amounts related to assets and liabilities and the amounts recognised in the financial statements.
Deferred tax liabilities are recognised with regard to all taxable temporary differences, except for:

- when deferred tax assets arise from initial posting of goodwill or an asset and liability in a transaction, which is not a business combination and which, at the time of the transaction, does not have an effect on income in the financial year calculated for the financial statements, nor on the income or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, affiliates and joint ventures, in the event that recharging temporary differences can be controlled and it is likely that it will not take place in the foreseeable future.

Deferred tax assets are recognised against tax losses carried forward to the extent that the company is likely to earn taxable income in the future, which can make applicable the use of deductible temporary differences and fiscal losses carried forward, unless:

- the deferred tax asset related to temporary deductible differences arises from the initial recognition of an asset or liability in a transaction that is a business combination and which, at the time of the transaction, does not influence the profit for the year calculated for the purposes of the financial statements or gains or losses calculated for fiscal purposes;
- in the case of taxable temporary differences associated with equity investments in subsidiaries, affiliates and joint ventures, tax assets are recognised in the amount that temporary differences might be used in the immediate future and that there is adequate taxable income against which the temporary differences can be used.

The recoverability of deferred tax assets is reviewed at the end of every year and is reduced if it is unlikely that sufficient income will be earned in the future to allow all or part of this credit to be used.

Unrecognised deferred tax assets are reviewed annually at year-end and are recorded to extent to which taxable profit is likely to be sufficient to allow these deferred tax assets to be recovered.
Since certain Group companies reported losses in previous years, the Group recognises a deferred tax asset resulting from tax losses or unused tax credits only to the extent that the temporary taxable differences are sufficient or there is also convincing proof that there will be enough taxable income available for which the tax losses or unused tax credits could be used.

Deferred tax assets and liabilities are recognised based on the tax rates expected to be applied during the year when these activities are realised or these liabilities extinguished, taking into account the rates in force and those issued or allocated at year-end.
Income taxes related to items posted to equity are directly recognised in equity and not in the income statement.
Deferred tax assets and deferred tax liabilities are offset if there is a legal right to offset current tax assets and liabilities and deferred income tax referring to the same taxable object and the same tax authorities.

F – Segment information

For management purposes, the Group considers only one business sector as relevant: the "NanoPC" sector. Thus, the disclosure is provided for the sole identified sector, broken down on a geographic basis.
The information on geographic areas are produced in relation to the various group entities and based on the criteria with which they are currently monitored by top management.
The Group's geographic areas are defined according to the localisation of Group assets and operations. The ones identified in the Group are: Europe, North America and Asia.
Management monitors the Gross profit margin of the individual business units separately for the purposes of resources allocation and performance assessment.

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	FY 2019	FY 2018	% YoY Change	FY 2019	FY 2018	% YoY Change	FY 2019	FY 2018	% YoY Change	FY 2019	FY 2018	% YoY Change	FY 2019	FY 2018	% YoY Change
Third party Sales	47,907	32,425		27,312	20,330		26,754	26,328		0	0		101,973	79,083	
Infra-sector Sales	900	831		7,408	5,190		1,117	199		(9,425)	(6,220)		0	0	
Total Sales revenues	48,807	33,256	46.8%	34,720	25,520	36.1%	27,871	26,527	5.1%	(9,425)	(6,220)	-51.5%	101,973	79,083	28.9%
Gross profit	20,330	11,376	78.7%	16,432	12,191	34.8%	15,919	14,279	11.5%	(730)	(290)	151.7%	51,951	37,556	38.3%
Gross profit margin - %	41.7%	34.2%		47.3%	47.8%		57.1%	53.8%					50.9%	47.5%	
EBITDA													20,535	8,128	152.6%
EBITDA margin - %													20.1%	10.3%	
EBIT													16,611	5,844	184.2%
EBIT margin - %													16.3%	7.4%	

The sales performance broken down by geographic area set out in the table above shows an increase in each reference area.
The table below shows assets and investments in the Group's individual business segments at 31 December 2019 and 31 December 2018.

(€'000)	North America		Europe		Asia		Correction, reversal and elimination		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Assets and liabilites										
Segment assets	48,187	42,313	88,790	74,766	76,614	71,798	-43,244	-45,490	170,347	143,387
Investments in subsidiaries non consolidated, associate & other companies	117	115	45	45	0	0	0	0	162	160
Total assets	48,304	42,428	88,835	74,811	76,614	71,798	-43,244	-45,490	170,509	143,547
Segment liabilities	46,865	51,086	27,577	21,696	14,618	14,190	-43,207	-45,467	45,853	41,505
Total liabilities	46,865	51,086	27,577	21,696	14,618	14,190	-43,207	-45,467	45,853	41,505
Other segment information										
Investments in tangible assets	379	4	348	259	563	441	0	0	1,290	704
Investments in intangible assets	246	436	2,472	1,804	337	293	0	0	3,055	2,533
Depreciation & amortisation	468	716	840	1,123	622	445	0	0	1,930	2,284

G - Composition of the principal asset entries

1 – Intangible assets

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

(€ '000)	DEVELOPMENT COSTS	GOODWILL	SOFTWARE TRADEMARKS PATENTS	ASSETS UNDER CONSTRUCTION & ADVANCES	TOTAL INTANGIBLE ASSETS
Purchase or production cost	11,841	78,772	21,634	3,314	144,216
Previous years' impairment	(778)	(7,874)	(7,741)	(46)	(16,439)
Previous years' amortisation	(8,576)	-	(5,177)	-	(42,408)
OPENING BALANCE	**2,487**	**70,898**	**8,716**	**3,268**	**85,369**
Purchases	397	-	139	2,519	3,055
Disposals	(668)	-	(116)	-	(784)
Other changes	70	2,204	595	39	3,238
Impairment in period	-	-	-	(10)	(10)
Transfers	2,586	-	-	(2,586)	-
Amortisation in period	(1,788)	-	(128)	-	(1,916)
Reversal of cumulative amortisation	661	-	116	-	777
Other changes in cumulative impairment	-	(122)	(271)	-	(393)
Other changes in cumulative amortisation	(55)	-	(46)	-	(431)
TOTAL CHANGES	**1,203**	**2,082**	**289**	**(38)**	**3,536**
Purchase or production costs	14,226	80,976	22,252	3,286	149,725
Impairment	(778)	(7,996)	(8,012)	(56)	(16,842)
Cumulative amortisation	(9,758)	-	(5,235)	-	(43,978)
CLOSING BALANCE	**3,690**	**72,980**	**9,005**	**3,230**	**88,905**

The change in intangible assets is due to their increase following the change in exchange rates, other changes items (net value €2,414 thousand), to amortisation for the period (€1,916 thousand), as well as the investments made for €3,055 thousand and the write-downs recorded during the period, totalling €10 thousand.

Investments refer primarily to recognition of development costs by the Group companies, the costs incurred for licenses for the new ICT system and its implementation and the costs incurred to acquire new software licenses.
The other changes item refers to the exchange differences accrued on the opening balances of the values expressed in foreign currency, particularly in relation to “goodwill” and “trademarks”, which include the value defined at the time of allocation of the price of the acquisitions, in addition to the reversal of intangible assets entirely amortised during the previous year.

In 2019 the Group also spent about €7.7 million in costs for research and development of numerous projects regarding product and process innovations that will allow, also in the future, to maintain a market leadership position in all high technology segments.

The trademarks item reflects write-downs on the ADS and Arcom trademarks following the decision made by Eurotech management in the last months of 2008 to no longer use these trademarks.
The “Advanet” trademark, which was booked at the time of acquisition of the Advanet Group, is still defined by management as an asset with an indefinite life, as its use for commercial and production purposes has no time limits, considering its characteristics and its position on the Japanese market. As a result, it is not subject to amortisation, but instead to annual impairment tests.

Goodwill refers to the higher value paid, when fully consolidated subsidiaries were acquired, in excess of the fair value of the assets and liabilities acquired. Goodwill is not subject to amortisation but is subject to annual impairment tests.
At the end of 2019, following the impairment test, it was not considered necessary to write down the goodwill (on the other hand, in 2018 the goodwill relating to the SBU Eurotech France was partially written down by €220 thousand). In the first few months of 2020, the possible impact on the Group of the issues relating to the COVID-19 was analysed, and even though a sensitivity analysis was performed on the data used for the impairment tests, at the moment we believe that there are no impairment risks that generate a possible write-down on the goodwill recorded for the individual SBUs.

The increase on development costs relative to internal activities carried out by the Group during the year is capitalised net of any contributions received. These fixed assets with a definite useful life are amortised on a straight-line basis based on the life cycle of the products developed, which is estimated at three to five years, beginning from the date of completion of the relevant development project. This asset is subject to impairment tests whenever loss of value is indicated.

The “software, trademarks, patents and licences” item mainly includes the costs incurred to implement what became the Group’s sole information system. Software is amortised on a straight-line basis over three financial years. The increase during the year is mainly due to costs incurred for the purchase of several software licenses.

The “assets in progress” item of €3,230 thousand comprises development costs for €2,724 thousand (internal payroll, materials and services) related to new products in the M2M and Internet of Things areas, and the NanoPC modules and systems, which were still at the project stage at year-end or for which production had not yet been launched, and €506 thousand for the costs related to the licenses for the new information system and related implementation which went live in the Parent Company on 1 January 2020.

Carrying value of goodwill and the trademarks allocated to each of the cash-generating units:

In order to carry out the annual impairment test, the posted individual goodwill and trademarks with an indefinite useful life acquired through business combinations were allocated to their respective cash-generating units, corresponding to the legal entity or Group of companies to which they refer to test for impairment.

(€ '000)	at December 31, 2019		at December 31, 2018	
Cash generating units	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Inc.	45,733	8,684	44,312	8,415
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	21,838	-	21,428	-
Eurotech Ltd. (ex Arcom Ltd.)	5,133	-	4,882	-
Eurotech France S.a.s.	186	-	186	-
Other	90	-	90	-
TOTAL	**72,980**	**8,684**	**70,898**	**8,415**

The recoverable amounts of the individual cash-generating unit were calculated according to their value in use, which was determined using the discounted cash flow (DCF) method. The projected discounted cash flows set out in the 2020-2024 operating and financial plan, approved by Parent Company directors by resolution of 6 March 2020, were used to calculate the relative value, while cash flows beyond the time horizon set out in the plan, and for the purposes of calculating terminal value were extrapolated using the perpetual annuity method, based on flows not dissimilar to those contained in the third year of the approved plan. The plans were prepared in the respective functional currencies, and the consequent recoverable values were uniformly compared with the carrying values in foreign currency allocated to the various cash-generating units. In the calculation of the recoverable value, sensitive elements of the operating and financial plan provided by the individual subsidiaries were taken into account if necessary, for the value generating unit Eurotech Inc., Advanet Inc. and Eurotech France.

The growth rate "g" used to calculate terminal value was 1.5% (2018: 1.5%), less than the average long-term growth rate for the various core markets. The discount rate (WACC – Weighted Average Cost of Capital) applied to prospective cash flows is different depending on the different percentages of the main business lines in the Plan in the various years, so it was weighted annually. The WACC therefore varies within a range of 5.68% to 12.74%, calculated according to the country where the individual companies operate and the debt structure over the various years of each company and net of tax effects.
The key parameters used for impairment tests are as follows:

	ITA	JAP	USA	FRA	UK
Risk free	4%	0%	3%	3%	1%
Premium	5.50%	6.00%	6.00%	6.50%	6.50%
Beta unlevered	from 0.94 to 1.03	from 0.94 to 1.03	from 0.94 to 1.03	from 0.94 to 1.03	from 0.94 to 1.03
WACC	from 8,71% to 12,74%	from 5,68% to 9,77%	from 7,35% to 11,39%	from 8,04% to 12,12%	from 6,66% to 10,75%

Regarding the risk free, the average yields for 2019 of 10 years government bonds in the countries of reference were used. For France and Italy, in consideration of the current macroeconomic environment and the indications emerging from a credit practices and national and international doctrine, it was considered necessary to apply corrective factors in considering the risk free rate, since the rates offered by government securities is currently influenced externally by actions and interventions of non-monetary nature. The methodology adopted ("WACC Unconditional Adjusted"), is supported by an external consulting firm and is consistent with the one used last year. It provides for usage of a risk free nominal rate that incorporates the country risk normalised by the monetary policies applied by central banks and calculated as the sum of the return of the 10 year government bond in countries with AAA rating (e.g.

USA), expressed to consider the inflation differential between the reference country and the USA, and the risk premium of the specific country, determined by the spread between the Credit Default Swaps (CDS) of the reference country and the CDSs of the USA (i.e. those of the country with AAA rating).
The unlevered beta used differs slightly between the business Board&System and the IoT business; for all the Cash-Generating Unites (CGUs) considered, it corresponds to the average beta observed by Bloomberg for listed companies that are comparable to the Parent Company in terms of the main business lines of the Parent Company itself. For calculation of the WACC for the CGUs, this Beta factor was considered in the re-levered version, taking into consideration the leverage effect from the average ratio of the debt and equity of the sector and the tax rate of the CGU reference country.
Taking account of the assumptions underlying the 2020-2024 operating and financial plans and the use of the main parameters identified for the single markets of reference, the values in use coming from the impairment tests performed showed no need to reduce the value of goodwill and trademarks with indefinite life.
For some CGUs, only with regard to the values relative to the IoT business line, the highest WACC was used on all the CGUs by virture of the additional risk premium of 3.5% to reflect the general riskiness of a business that is still being developed.
The WACC used for each CGU was calculated in consideration of the specific weighting between the Board&Systems business line and the IoT business line, based on their contribution to the Gross Profit of the CGU.
Please note that recoverability of the net values of intangible assets regarding the acquisition of the CGU Eurotech France, appears to be bound upon on the occurrence of any changes in the key assumptions used to estimate them.
Recoverability of the values of intangible assets regarding the acquisition of the other CGUs, appears to be conditional upon on the occurrence of possible changes in the key assumptions used to estimate them. The higher book values compared to the recoverable values is reflected differently for each CGU.
Other conditions being equal, the WACC of the Terminal Value that would bring about an impairment situation should be equal to or higher than 11.2% for Eurotech Ltd., 27.3% for Eurotech Inc. and 7.0% for Advanet Inc.
Furthermore, management believes that the long-term growth estimate for 2019 of 1.5%, the same as for 2018, is far below estimates for the reference embedded PC markets (European, Japanese and U.S.).
Generally, the directors also assumed in their assessments that on the basis of the current external indicators (particularly Eurotech's stock market performance and market capitalisation) that there were no risks of impairment of the net assets, as noted on a number of occasions. These indicators show how the amounts recognised can be recovered.
In evaluating the recoverability of the book values upon testing for impairment, there was no additional impairment found since the total recoverable value was higher than the book value of the asset. The value of the existing orders, orders included in the portfolio, ongoing opportunities, stakeholder relations and products currently in the portfolio, as well as products developed, particularly in recent years for the IoT market, are regarded by the Directors as important factors to justify the current amounts considered, also represented by the external indicators and therefore not changing the amounts posted.
A further analysis made by management, also in relation to recent market and economic conditions, determined that it would not be necessary to reduce the amounts recorded.

2 – Property, plant and equipment

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

(€ '000)	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION & ADVANCES	RIGHT OF USE ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
Purchase of production cost	1,667	5,913	5,243	5,975	2	101	18,901
Depreciation	(41)	-	-	-	-	-	(41)
Previous year's depreciation	(560)	(5,639)	(4,782)	(5,247)	-	(53)	(16,281)
OPENING BALANCE	**1,066**	**274**	**461**	**728**	**2**	**48**	**2,579**
Purchases	19	26	94	367	33	751	1,290
Increases from IFRS 16	-	-	-	-	-	4,651	4,651
Disposals	-	(182)	(68)	(540)	-	(56)	(846)
Other changes	-	131	80	70	-	50	331
Depreciation in period	(37)	(75)	(173)	(242)	-	(1,471)	(1,998)
Reversal of cumulative depreciation	-	182	65	535	-	44	826
Other changes in cumulative amortisation	-	(112)	(67)	(85)	-	(4)	(268)
TOTAL CHANGES	**(18)**	**(30)**	**(69)**	**105**	**33**	**3,965**	**3,986**
Purchase or production cost	1,686	5,888	5,349	5,872	35	5,497	24,327
Depreciation	(41)	-	-	-	-	-	(41)
Cumulative depreciation	(597)	(5,644)	(4,957)	(5,039)	-	(1,484)	(17,721)
CLOSING BALANCE	**1,048**	**244**	**392**	**833**	**35**	**4,013**	**6,565**

The land and buildings item, amounting to €1,048 thousand, includes the carrying value of the land and buildings owned by subsidiary I.P.S. Sistemi Programmabili S.r.l. (located in Caronno Varesino (Varese) including land) and the value of the property (Amaro (Udine) site, including land and improvement costs) where the Parent Company's production site is located.
The increases of €26 thousand in plant and machinery, €94 thousand in industrial and commercial equipment and €367 thousand in other fixed assets refer mainly to equipment replacement and new assets required to make the operations of the individual Group companies more efficient and effective.
The right-of-use fixed assets include both the contracts for vehicles relating to the Parent Company which already existed at the beginning of the year and the new accounting for leases in accordance with the provisions of the new IFRS 16.
Leases refer to the rents of industrial and commercial buildings as well as office areas and leases of office machines. The application of the new standard led to the recognition of right-of-use assets (as identified above) of €4,651 thousand and the restatement of the prior years was not carried out since the modified retrospective approach was applied. These assets are then depreciated on a straight line basis for the duration of the contract, taking account of the renewal/termination options which are highly likely to occur. The depreciation recorded with regard to the right-of-use for the year amounts to a total of €1,471 thousand, with €24 thousand relating to the depreciation of leased goods already accounted for as at 1 January 2019 in accordance with the provisions of the former IAS 17.
On 10.02.2020 the Parent Company entered into a preliminary purchase agreement for the building used as offices for Amaro headquarters. With the signing of the preliminary contract, the company received

the full availability of the building and stopped paying the monthly rents. As per the contract, the final contract will be signed by 31.01.2021 for a total purchase value of Euro 1.2 million. At 31.12 2019 the net book value of the right of use relating to the building subject to preliminary was Euro 404 thousand.

The “other changes” item refers to exchange differences accrued on the opening balances of the values at cost and cumulative depreciation.

3 – Equity investments in affiliates and other companies

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

	at December 31, 2019				
(€'000)	INITIAL VALUE	WRITE-UPS /WRITE-DOWN	OTHER	EOP VALUE	% OWNERSHIP
Investments in associate companies (valuation using the equity method):					
Rotowi Technologies S.r.l. in liquidazione (ex U.T.R.I. S.p.A.)	-	-	-	-	21.32%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	-	-	-	-	
Investments in other companies (valuation at fair value on the Profit&Loss):					
Consorzio Ecor' IT	2	-	-	2	
Consorzio Aeneas	5	-	-	5	
Consorzio Ditedi	19	-	-	19	7.69%
Inasset S.r.l.	19	-	-	19	0.38%
Kairos Autonomi	114	-	2	116	19.00%
Others	1	-	-	1	
TOTAL INVESTMENTS IN OTHER COMPANIES	160	-	2	162	
TOTAL INVESTMENTS	160	-	2	162	

At 31 December 2019 Eurotech owned the following equity investments in affiliates consolidated at equity:

- Rotowi Technologies S.p.A. (formerly UTRI S.p.A.) = 21.32%, following a series of share purchases in 2007 and 2008. This affiliate presented a debt restructuring plan in 2010 pursuant to article 182-bis of the Budget Law, which led to a non-recoverability valuation for the booked value. The book value had therefore already been fully written down in 2010.

The closing dates of the financial statements and the financial years of the affiliate coincide with those of the Parent Company.

The schedule below shows the values of the assets, liabilities, revenues and annual results of equity investments in affiliates at 31 December 2018, as operating and financial information for year-end 2019 is not yet available.

(€'000)	At December 31, 2019 Rotowi Tech.	At December 31, 2018 Rotowi Tech.	evS	TOTAL
Share of the Associate's balance sheet:	(*)	(**)	(***)	
Current assets	155	157	-	157
Non current assets	0	0	-	0
Current liabilities	(52)	(52)	-	(52)
Non current liabilities	(745)	(745)	-	(745)
Net assets	(642)	(640)	0	(640)
Revenue	0	0	-	0
Profit (Loss)	(2)	(2)	-	(2)
Carrying amount of the investment	0	0	0	0

(*) FY2018
(**) FY2017
(***)Transferred on 26.06.2018

4 – Other non-current assets

The schedule below shows the breakdown of other non-current assets at 31 December 2019 and 31 December 2018:

(€'000)	at December 31, 2019	at December 31, 2018
Other non-current receivables	665	654
TOTAL OTHER NON CURRENT ASSETS	665	654

Other non-current receivables mainly comprise security deposits that do not accumulate interest; they are in line with the previous year. The increase is essentially due to a forex effect on the values expressed in JPY.

5 – Inventories

The schedule below shows the breakdown of inventories at 31 December 2019 and 31 December 2018:

(€'000)	at December 31, 2019	at December 31, 2018
Raw & auxiliary materials and consumables - gross	11,070	8,834
Inventory write-down provision	(2,611)	(2,581)
Raw & auxiliary materials and consumables - net	8,459	6,253
Work in process and semi-finished goods - gross	2,146	2,644
Inventory write-down provision	(148)	(148)
Work in process and semi-finished goods	1,998	2,496
Finished poducts and goods for resale - gross	13,449	15,320
Inventory write-down provision	(3,051)	(2,475)
Finished products and goods for resale - net	10,398	12,845
Advances	401	404
TOTAL INVENTORIES	21,256	21,998

Inventories at 31 December 2019 amounted to €21,256 thousand (€21,998 thousand at 31 December 2018), net of inventory write-down provision totalling €5,810 thousand. The net increase in the inventory write-down provision of €606 thousand is the result of the combined effect, on the one hand, of the allocations for adjustment of the components and the products held by the Group, which have a risk of technical obsolescence and slow movement and on the other, the usage following specific scrappings.

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

CHANGES IN CUMULATIVE INVENTORY WRITE-DOWN PROVISION

(€'000)	at December 31, 2019	at December 31, 2018
OPENING BALANCE	5,204	4,038
Provisions	1,760	1,888
Other changes	81	16
Utilisation	(1,235)	(738)
CLOSING BALANCE	5,810	5,204

The "other changes" item refers to changes in the write-down provisions due to foreign exchange differences.
The raw materials inventory write-down provision of €2,611 thousand refers to obsolete or slow moving materials, whose full posted value some Group companies do not expect to recover. The increase for the year amounted to €30 thousand.
The finished products write-down provision of €3,051 thousand, which covers the risk of slow turnover in certain standard and custom finished products, increased by €576 thousand to reflect the possible recovery value of obsolete products or the slow turnover of several standard and custom finished products.

6 – Work in progress

The schedule below shows information related to work in progress at 31 December 2019 and 31 December 2018:

(€'000)	at December 31, 2019	at December 31, 2018
Contract revenues recognised as revenue in the period	98	444
Contract costs bome as at balance-sheet date	85	189
Profits recognised as at balance-sheet date	13	255
Down payments received	856	771
Contract costs and proits recognised as at balance-sheet date	-	444
Revenues recognised in previous periods	856	412
Gross amount owed by customer for contractual work	856	856
Gross amount owed to customer for contractual work	-	85

7 – Trade receivables

The schedule below shows the breakdown of trade receivables and the respective doubtful debt provision at 31 December 2019 and 31 December 2018:

(€'000)	at December 31, 2019	at December 31, 2018
Trade receivables - customers	12,129	13,113
Trade receivables - realted paties	-	1,000
Doubtful debt provision	(422)	(305)
TOTAL TRADE RECEIVABLES	11,707	13,808

Trade receivables falling due within 12 months are normally non-interest bearing and generally fall due at 90/120 days.
Trade receivables decreased by €2,101 thousand compared to 31 December 2018. There were no bank receipts presented subject to collection, but not yet due at the end of the period.

Receivables are shown net of a doubtful debt provision of €422 thousand. Changes in doubtful debt provision in the years under review were as follows:

CHANGES IN CUMULATIVE DOUBTFUL DEBT PROVISION

(€'000)	at December 31, 2019	at December 31, 2018
OPENING BALANCE	305	344
Provisioning	140	76
Other changes	0	1
Utilisation	(23)	(116)
CLOSING BALANCE	422	305

Provisions of €140 thousand made during the year were necessary to adjust the value of individual receivables on the basis of their expected losses.
Utilisation of the doubtful debt provision is the result of uncollectable receivables partially or totally covered by the relevant provision.
Group policy is to specifically identify the individual receivables to be written down, and the allocations made therefore reflect a specific write-down. "Other changes" includes the effect of translating financial statements in foreign currency.

At 31 December 2019, trade receivables that were past due but not written down were as follows:

€ '000	Total	Not overdue	Overdue but not write-off				
			< 30 days	30 - 60 days	60 - 90 days	90 - 180 days	Over 180 days
2019	11,707	9,747	877	462	226	13	382
2018	13,808	10,008	3,165	289	189	132	25

Receivables more than 180 days due represented 3.3% of trade receivables at 31 December 2019, higher than the figure of 0.2% for 2018. The Directors believe that though contained, the amount is still recoverable notwithstanding the extension of collection granted.

8 – Tax receivables and payables

Receivables for income taxes represent receivables from individual governments for direct taxation (IRES and income taxes in various countries) which should be recovered within the next year as well as receivables for withholdings made by the US companies following payment of interest charges on intragroup loans and dividends distributed to the Parent Company by Advanet Inc. Compared to 31 December 2018, the value decreased by €29 thousand, from €298 thousand in 2018 to €269 thousand in 2019.

Income tax payables are made up of current taxes relating to the year still to liquidate and represent the amounts that the companies must pay to the tax authorities of the respective countries. These payables are calculated according to the tax rates currently in force in each country. Payables for foreign taxes amounted to €992 thousand (2018: €1,522 thousand), while Italian tax payables amounted to €190 thousand (2018: €49 thousand).

Income tax payables and receivables are offset if there is a legal right to do so.

9 – Other current assets

The schedule below shows the composition of other current assets at 31 December 2019 and 31 December 2018:

(€'000)	at December 31, 2019	at December 31, 2018
Amounts receivable for grants	1	1
Advance payments to suppliers	227	506
Tax receivables	910	887
Other receivables	29	10
Accrued income and prepaid expenses	948	779
TOTAL OTHER CURRENT ASSETS	2,115	2,183

Grants receivable relate to grants that will reasonably be received by Parent Company Eurotech S.p.A. by the end of the following year for the development of new products and technologies carried out in previous years.

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

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

10 – Cash & cash equivalents

The table below shows the composition of cash and cash equivalents at 31 December 2019 and 31 December 2018:

(€'000)	at December 31, 2019	at December 31, 2018
Bank and post office deposits	30,669	13,177
Cash and valuables in hand	18	19
TOTAL CASH & CASH EQUIVALENTS	30,687	13,196

Bank deposits are mostly on demand and are remunerated at a variable rate of interest. The fair value of cash and cash equivalents is €30,687 thousand (€13,196 thousand at 31 December 2018).
The item shows a €17,491 thousand increase compared to 31 December 2018.

The increase is due to both the cash generation during the year and the existing cash and cash equivalents following the loans obtained during the year.

11 – Other financial assets and liabilities

The amount recorded of €108 thousand comprises €90 thousand of a three year insurance policy, €3 thousand relative to 100 shares of Banca Popolare Friuladria and €15 thousand in interest accrued on the loan granted to Kairos Autonomi Inc., which will be repaid in the next year.
The Parent Company also holds 2,500 shares of Veneto Banca Holding S.c.a.r.l., which were purchased in 2012 and completely written down in 2016, in order to adjust the value to the market value that currently amounts to €0.1.

12 – Net financial position

The table below shows the Group's net financial position at 31 December 2019 and 31 December 2018:

(€'000)		at December 31, 2019	at December 31, 2018
Cash & cash equivalents	A	(30,687)	(13,196)
Cash equivalent	**B=A**	**(30,687)**	**(13,196)**
Other current financial assets	C	(108)	(104)
Derivative instruments	D	44	20
Short-term borrowing	E	7,001	8,125
Short-term financial position	**F=C+D+E**	**6,937**	**8,041**
Short-term net financial position	**G=B+F**	**(23,750)**	**(5,155)**
Medium/long term borrowing	H	11,590	4,312
Medium-/long-term net financial position	**I=H**	**11,590**	**4,312**
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	(12,160)	(843)
Medium/long term borrowing allowed to affiliates companies and other Group	K	(89)	(87)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	(12,249)	(930)

The consolidated net financial position at 31 December 2019, excluding financial payables for the right of use introduced by IFRS 16, amounted to a net cash of €16.25 million, compared a net financial position with net cash of €0.93 million at 31 December 2019. The adoption of the IFRS 16 accounting standard meant the recognition by Group companies of financial liabilities for rights of use at 31 December 2019 equal to €4.00 million, which, added to the net financial position, resulted in a net cash position, after the first-time adoption of IFRS 16, of €12.25 million.

At 31 December 2019, the loans payable reflected their natural repayment dates since the company honoured all the covenants existing at 31 December 2019.

The following table shows the reconciliation between the statement of financial position for liabilities arising from financing activities and the cash flow statement (IAS 7).

(€'000)	at January 1, 2019	Cash flows	Business combinations	Fair value changes	Exchange differences	Other non monetary transactions	at December 31, 2019
Short and Medium-/long-term borrowing	12,437	1,404	-	-	99	4,651	18,591
Medium/long term borrowing allowed to affiliates companies and other Group companies	(87)	-	-	-	(2)	-	(89)
Other current financial assets	(104)	(4)	-	-	-	-	(108)
Derivative instruments	20	-	-	24	-	-	44
Total Liabilities arising from financing activities	**12,266**	**1,400**	**-**	**24**	**97**	**4,651**	**18,438**

(€'000)	at January 1, 2018	Cash flows	Business combinations	Fair value changes	Exchange differences	Other non monetary transactions	at December 31, 2018
Short and Medium-/long-term borrowing	12,564	(440)	-	-	313	-	12,437
Medium/long term borrowing allowed to affiliates companies and other Group companies	(83)	-	-	-	(4)	-	(87)
Other current financial assets	(95)	(4)	-	(5)	-	-	(104)
Derivative instruments	9	-	-	11	-	-	20
Total Liabilities arising from financing activities	**12,395**	**(444)**	**-**	**6**	**309**	**-**	**12,266**

13 – Shareholders' equity

The schedule below shows the composition of shareholders' equity at 31 December 2019 and 31 December 2018:

(€'000)	at December 31, 2019	at December 31, 2018
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(20,623)	(43,237)
Group shareholders' equity	124,656	102,042
Equity attributable to minority interest	-	-
Total shareholders' equity	124,656	102,042

The share capital at 31 December 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 at 31 December 2019 was €1,776 thousand.

The share premium reserve, which relates entirely to the Parent Company, is shown at a total amount of €136,400 thousand.

The positive translation reserve of €14,224 thousand is generated by inclusion in the consolidated financial statements of the statement of financial positions and income statements of the US subsidiaries

Eurotech Inc. and E-Tech USA Inc., as well and of the UK subsidiary Eurotech Ltd. and the Japanese subsidiary Advanet Inc.

The item "Other reserves" was negative by €58,907 thousand and, as well as other reserves, consisted of the Parent Company's surplus reserve, formed by losses carried forward, allocations of retained earnings from prior years and other reserves of different origin. The change in the year is to be attributed to allocation of the 2018 results and to the recognition of the Performance Share Plan as described in Note 17.
The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IFRS 9, was negative for €44 thousand and increased by €24 thousand.
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 foreign operations are recognised, was positive by €4,650 thousand. This reserve was increased by €725 thousand during the year.

The parent company Eurotech S.p.A. held 440,020 treasury shares at the end of the year (at the end of 2018 it held 887,020). The changes, as indicated in the Note at page 55 relate to the allocation of shares following the Performance Share Plan.

14 – Base and diluted earnings (losses) per share

Base earnings (losses) per share (EPS) are calculated by dividing the income of the year pertaining to ordinary shareholders of the Parent Company by the average weighted number of ordinary shares in circulation during the year, net of own shares.

No equity transactions were reported in the financial years 2018 and 2019 that diluted earnings per share.

The schedule below shows earnings for the period and information on the shares used to calculate base and diluted EPS.

	at December 31, 2019	at December 31, 2018
Net income (loss) attributable to parent company shareholders	19,242,000	5,682,000
Weighted average number of ordinary shares including own shares	35,515,784	35,515,784
Own shares	(784,382)	(1,224,332)
Weighted average number of ordinary shares except own shares	34,731,402	34,291,452
Weighted average number of ordinary shares except own shares for share diluted	34,731,402	34,291,452
Net income (loss):		
- per share	0.554	0.166
- per share diluted	0.554	0.166

15 – Borrowings

The schedule below shows the breakdown of medium- to long-term financial payables at 31 December 2019:

TYPE (€'000)	COMPANY	BALANCE ON 31.12.2018	BALANCE ON 31.12.2019	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months	Long term Over 5 years
CURRENT OUTSTANDINGS - (a)		**4,638**	**98**	**98**	**-**	**-**	**-**
Public entity	Eurotech S.p.A.	231	77	77	-	-	-
Non-banking financial companies	Eurotech S.p.A.	45	34	16	18	18	-
Lease liabilities		54	4,034	1,441	2,593	2,476	117
TOTAL OTHER FINANCINGS		**330**	**4,145**	**1,534**	**2,611**	**2,494**	**117**
Unsecured loans	Eurotech S.p.A.	5,976	13,818	4,839	8,979	8,979	-
Unsecured loans	Advanet Inc.	1,468	530	530	-	-	-
Unsecured loans	EthLab S.r.l.	25	-	-	-	-	-
TOTAL BANK DEBT - (c)		**7,469**	**14,348**	**5,369**	**8,979**	**8,979**	**-**
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		**7,799**	**18,493**	**6,903**	**11,590**	**11,473**	**117**
TOTAL DEBT - [(a) + (b) + (c)]		**12,437**	**18,591**	**7,001**	**11,590**	**11,473**	**117**

Bank overdrafts

Bank overdrafts are not backed by unsecured or secured warranties and include uses with the technical form of "subject to collection" and non-recourse liquidations. The amount includes, only for 2019, financial liabilities as reverse factor of €80 thousand.

Other loans

Other loans refer to:

- a short-term residual debt to public entities (Italian Ministry of Education, Universities and Research) for a total of €77 thousand for future instalment payments to pay back two facilitated loans based on research activity already completed in previous years;
- a residual debt of €34 thousand (€18 thousand of which medium- to long-term) for future instalment payments on some loans for the purchase of company cars;
- an residual debt of €4,034 thousand (of which €2,593 thousand medium-term, which includes €117 thousand after 5 years) for lease contracts accounted for in accordance with IRS 16 and also relating to financial debts that already existed at the beginning of the year in adoption of the previous IAS 17 for company vehicles purchased by the Parent Company and a server at the production site in Columbia (USA).

Bank loans

Bank loans refer mainly to:

- some loans granted in 2015 and 2017 to Advanet Inc. by a local bank for a total remaining amount of €530 thousand, fully payable within 12 months to boost the Japanese company's working capital;
- some loans granted to the Parent Company by various banks from 2015 to 2019 for a total remaining amount of €13,818 thousand (of which €8,979 thousand medium- to long-term) mainly to support the Group R&D investments or to boost the working capital of the Parent Company.

In order to manage interest rate risk, unsecured loans were entered into on a fixed-rate basis or were fully or partially covered by IFRS.
Some of the unsecured loans in place, for a residual amount of €2.01 million at 31 December 2019, have covenants attached, defined with reference to the consolidated financial statements at the end-date of each year, regarding the ratio of net financial debt to shareholders' equity, the ratio of net financial debt to EBITDA, interest expense and taxes adjusted by extraordinary and non-recurring capital gains / capital losses, the value of shareholders' equity and the ratio between gross operating results and revenues.
All the covenants were easily honoured at 31 December 2019.

All bank loans out are denominated in euros apart from the loans granted to the Japanese subsidiary which are in Japanese Yen.

16 – Employee benefits

The schedule below shows the breakdown of employee benefits at 31 December 2019 and 31 December 2018:

(€'000)	at December 31, 2019	at December 31, 2018
Employees' leaving indemnity	343	277
Foreing Employees' leaving indemnity	2,164	2,092
Employees' retirement fund	97	96
TOTAL EMPLOYEES' BENEFITS	2,604	2,465

Defined benefit plans

The Group has defined benefit pension plans both in Italy and Japan, and these require contributions to a separately managed fund.
As a result, the expected return of the assets servicing the defined-benefit plan was not booked to the income statement. The interest on the net liabilities of the defined-benefit plan (not including the plan assets) was, however, booked to the income statement. Interest is calculated using the discount rate used to measure the net assets or liabilities of the pension plan.
In addition, the past service cost (not vested) can no longer be deferred to the future vesting period. All past service costs are instead recognised in the income statement at the date of the plan's amendment or at the date of recognition of the related restructuring costs or cessation of the employment relationship, whichever is earlier. With the move to IAS 19R, past service costs are recognised immediately in the income statement if the benefits vest immediately with the introduction or modification of the pension plan.

The schedule below shows the breakdown of defined benefit plans at 31 December 2019 and 31 December 2018:

	Defined benefit plans			
	Italy		Japan	
(€ '000)	at December 31, 2019	at December 31, 2018	at December 31, 2019	at December 31, 2018
Projected benefit obligation at January 1,	277	302	2,092	1,950
Current Service cost	12	10	223	145
Past Service cost	-	-	(301)	-
Interest cost	4	8	9	10
Other changes	-	-	67	173
Pensions paid	-	(17)	(16)	(180)
Recognized actuarial gains or losses	50	(26)	90	(6)
Projected benefit obligation at December 31	343	277	2,164	2,092

The defined benefit plans in force in Italy refer exclusively to employee severance indemnity. With adoption of the International Accounting Standards (IAS), and especially IAS 19, employee severance indemnity is considered a defined benefit obligation whereby the liability is measured based on actuarial techniques. Pension plans in Japan are also considered as such and following the business combination the company valued the relative liability pursuant to IAS 19.

Also, pursuant to the 2007 Budget Law, employee severance indemnity accrued as of 1 January 2007 or as of the option date to exercise by the employees are included in the category of defined benefit plans, both in the event of option for supplementary retirement and option for allocation to the treasury fund at INPS. The accounting treatment of employee severance indemnity is now similar to that used for other types of pension scheme contributions.

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

Actuarial assumption	Defined benefit plans			
	Italy		Japan	
	at December 31, 2019	at December 31, 2018	at December 31, 2019	at December 31, 2018
Discount Rate	1.61%	3.49%	0.50%	0.50%
Expected rates of future wages and salary increases	3.00%	3.00%	1.00%	1.00%
Expected rates of staff turnover	3.32%	6.38%	1.00%	1.00%
Duration	17	18	19	19

The schedule below summarises the change in the current value of the employee severance indemnity at the end of the period; as indicated in the accounting standards, these values might not correspond to the booked liability.

	Defined benefit plans			
	Italy		Japan	
(€ '000)	at December 31, 2019	at December 31, 2018	at December 31, 2019	at December 31, 2018
Liabilities at start of period	277	302	2,092	1,950
Cost relating to present service	12	10	223	145
Past Service cost	-	-	(301)	-
Finance expense	4	8	9	10
Other changes	-	-	67	173
Benefits paid out	-	(17)	(16)	(180)
Actuarial loss (gain) reconised	50	(26)	90	(6)
Liabilities at end of period	343	277	2,164	2,092

The following is the reconciliation of the current value of the obligation and the liability booked and the summary of the cost components recorded in the income statement.

(€ '000)	Defined benefit plans Italy at December 31, 2019	 at December 31, 2018	 Japan at December 31, 2019	 at December 31, 2018
Projected benefit obligation	343	277	2,164	2,092
Unrecognized actuarial gains or losses	-	-	-	-
Provisions for pensions charged to balance sheet	343	277	2,164	2,092
Current Service cost	12	10	223	145
Past Service cost	-	-	(301)	-
Interest cost	4	8	9	10
Recognized actuarial gains or losses	50	(26)	90	(6)
Costs charged to income statement	66	(8)	21	149

Employee severance indemnity reserve

The employee severance indemnity reserve refers to the charge that the subsidiary Eurotech France S.A.S. must pay employees if they are still employed by the subsidiary when they reach retirement age.

With adoption of IFRS, the indemnity falls into the category of other long-term benefits to employees to be booked according to IAS 19.

Results are recognised immediately in the income statement.

The schedule below shows the breakdown of the employee retirement reserve at 31 December 2019 and 31 December 2018:

EMPLOYEES' RETIREMENT FUND (Thousands of Euro)	at December 31, 2019	at December 31, 2018
JANUARY 1,	96	91
Provision	1	5
Utilization	-	-
RESERVE AT THE END OF THE PERIOD	97	96

17 – Share-based payments

On 22 April 2016, the Shareholders' Meeting of the company approved adoption of an incentive plan for only parties who have a directorship position and/or an employment contract and/or a freelance collaboration or consultancy agreement with Eurotech S.p.A. or one of its Subsidiaries and who have key functions in the Group organisation chart; the plan is called "2016 EUROTECH S.p.A. Performance Share Plan" (hereinafter "PPS 2016").
PPS 2016 provides that the beneficiaries identified by the Company's Board of Directors be assigned the right (the so-called Unit) to receive Eurotech S.p.A. shares free of charge provided that on the

Assignment Date they maintain a Relation with the Company or one of the Subsidiaries. The Units assigned are subject to a retention period lasting 2 (two) years starting from the respective Assignment Date; during the Retention Period, the assigned Units cannot accrue unless the contract is terminated as a good leaver (for example: dismissed by the company not for just cause, death, the Beneficiary's retirement and loss of the condition of Subsidiary by the employer company of the Beneficiary).
The Board of Directors assigned 215,100 units to beneficiaries during 2019, either directly or through the Chief Executive Officer.

	Year 2019			Year 2018		
	No. Units granted	Value of the assign units (€'000)	Value of the units for the period (€'000)	No. Units granted	Value of the assign units (€'000)	Value of the units for the period (€'000)
Perfornance Share Plan 2016						
Nr. Unit at the begining of the period	604,000	983	425	889,000	1,174	516
Nr. Unit Granted during period	215,100	797	345	162,000	374	90
Nr. Unit Cancelled during period	(7,500)	(10)	(8)	(15,000)	(23)	(13)
Nr. Unit assigned during period	(447,000)	(617)	-	(432,000)	(542)	-
Nr. Unit Outstanding at the end of the period	364,600	1,153	762	604,000	983	593

The total cost of the units assigned in 2019 was €797 thousand, and this cost is recognised along the 24-month vesting period. At the reporting date the company had recorded a cost of €762 thousand in the income statement, whose contra entry was recognised in shareholders' equity. From the beginning of the plan it has been recognised in profit and loss and amounts to €1,763 thousand.

18 – Provisions for risks and charges

The schedule below shows the breakdown of the provisions for risks and charges at 31 December 2019 and 31 December 2018:

(€'000)	at December 31, 2019	at December 31, 2018
Selling agents' commission fund	66	69
Director termination fund	140	97
Guarantee reserve	437	302
Busting depreciable asset	417	314
TOTAL FUNDS FOR COSTS AND FUTURE RISKS	1,060	782

Supplementary customer indemnity provision

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

Cumulative provision for directors' termination indemnity

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

Product warranty provision

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

Asset disposal reserve

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

The schedule below shows the changes in the reserve for risks and charges in the years under review:

SELLING AGENTS' COMMISSION FUND

(€'000)	at December 31, 2019	at December 31, 2018
JANUARY 1,	69	66
Provision	3	3
Utilization	(6)	-
RESERVE AT THE END OF THE PERIOD	66	69

DIRECTOR TERMINATION FUND

(€'000)	at December 31, 2019	at December 31, 2018
JANUARY 1,	97	54
Provision	41	41
Other	2	2
Utilization	-	-
RESERVE AT THE END OF THE PERIOD	140	97

GUARANTEE RESERVE

(€'000)	at December 31, 2019	at December 31, 2018
JANUARY 1,	302	277
Provision	160	14
Other	9	13
Utilization	(34)	(2)
RESERVE AT THE END OF THE PERIOD	437	302

BUSTING DEPRECIABLE ASSET

(€'000)	at December 31, 2019	at December 31, 2018
JANUARY 1,	314	291
Provision	88	2
Other	15	21
Utilization	-	-
RESERVE AT THE END OF THE PERIOD	417	314

19 – Trade payables

The schedule below shows the composition of trade payables at 31 December 2019 and 31 December 2018:

(€'000)	at December 31, 2019	at December 31, 2018
Third parties	11,562	14,279
Related companies	-	132
TOTAL TRADE PAYABLES	11,562	14,411

Trade payables at 31 December 2019 came to €11,562 thousand, decreasing by €2,849 thousand compared with 31 December 2018. Trade payables are non-interest bearing and, on average, are settled 90-120 days after invoice date.

20 – Other current liabilities

The schedule below shows the composition of other current liabilities at 31 December 2019 and 31 December 2018:

(€'000)	at December 31, 2019	at December 31, 2018
Social contributions	591	703
Other	4,270	4,095
Advances from customers	159	471
Grants advances	562	733
Other tax liabilities	1,224	290
Accrued expanses	907	492
TOTAL OTHER CURRENT LIABILITIES	7,713	6,784

Social security payables

Social security payables refer to amounts due for social security contributions accrued and pertaining to the year.

Advances for contributions

Advances for contributions refer to prepayments made upon requests for contributions that were already accounted for and to be accounted for.

Other payables

The schedule below shows the breakdown of other payables at 31 December 2019 and 31 December 2018:

(€'000)	at December 31, 2019	at December 31, 2018
Employees	1,331	1,317
Vacation pay	1,119	876
Directors	677	560
Statutory auditors	210	229
Other	933	1,113
TOTAL OTHER PAYABLES	4,270	4,095

Amounts payable to employees refer to salaries and wages for the month of December 2019 and payable in the following month, as well as bonuses awarded to some categories of employees. Liabilities for holidays and leaves of absence refer to holidays and leaves accrued and not used by employees at the reporting dates. These recent payables include related contributions.

21 – Warranties

The Eurotech Group had potential liabilities at 31 December 2019 deriving from sureties of €385 thousand granted by a number of credit institutions to Group companies.

H - Breakdown of key income statement items

For a note on trends in income statement items, and more specifically, on the basis of IFRS 15 relating to the different revenue disaggregation, please refer to the consolidated report on operations at 31 December 2019.

22 – Costs of raw & auxiliary materials and consumables

(€'000)	FY 2019	FY 2018
Purchases of raw materials, semi-finished and finished products	47,986	41,714
Changes in inventories of raw materials	966	1,231
Change in inventories of semi-finished and finished products	1,070	(1,418)
TOTAL COST OF MATERIALS	50,022	41,527

The costs of raw and auxiliary materials and consumables show an increase related to the increase in sales performance, and also influenced by the write-downs on the inventory.

23 – Other operating costs

(€'000)	FY 2019	FY 2018
Service costs	13,204	12,269
Rent and leases	338	1,594
Payroll	20,383	18,197
Accruals and other costs	1,077	717
Cost adjustments for in-house generation of non-current assets	(2,451)	(2,314)
Operating costs net of cost adjustments	32,551	30,463

24 – Service costs

(€'000)	FY 2019	FY 2018
Industrial services	5,166	4,941
Commercial services	3,183	2,797
General and administrative costs	4,855	4,531
Total costs of services	13,204	12,269

Service costs in the periods reviewed recorded an increase due to the higher spending related to the increase in sales performance and the investments that the Group is making to support its strategies.

25 – Payroll costs

(€'000)	FY 2019	FY 2018
Wages, salaries and Social Security contributions	19,690	17,418
Employees' leaving entitlement and other personnel provisions	165	354
Other costs	528	425
Total personnel expenses	20,383	18,197

Payroll costs, in the period being analysed, showed an increase related to the increase in the workforce in 2019, and recognition of wages for €762 thousand relating to the pro-rata temporis portion of the Performance Share Plan cost as explained in Note 17 (in 2018, the amount recognised at cost was €593 thousand).

As shown in the table below, the number of Group employees increased at the end of the periods under review, rising from 302 in 2018 to 318 in 2019.

EMPLOYEES	Average 2019	at December 31, 2019	Average 2018	at December 31, 2018
Management	4.0	4	3.4	4
Clerical workers	286.7	291	279.3	279
Line workers	20.9	23	17.4	19
TOTAL	311.5	318	300.0	302

26 – Other provisions and costs

(€'000)	FY 2019	FY 2018
Doubful debt provision	140	76
Other Provisions	248	14
Other costs	689	627
Total accruals and other costs	1,077	717

The amounts in the "doubtful debt provision" item refer to provisions made to the respective reserve to represent receivables at their realisable value.
The "Other Provisions" item refers for €160 thousand to the provisions made during the year to meet the costs related to the product warranty and for Euro 88 thousand to those relating to future costs to be incurred to return the leased assets to their original state.
As at 31 December 2019, no losses were reported on receivables, whereas the figure amounted to €9 thousand the previous year.

27 – Other revenues

(€'000)	FY 2019	FY 2018
Government grants	566	8
Sundry revenues	569	1,027
Total other revenues	1,135	1,035

Contributions mainly relate to research and development activities which receive funding from local governments and training delivered to employees.
Miscellaneous revenues for the most part refer to income received following the settlement of a law suit with a supplier and the usage of provisions allocated in previous years and that are no longer necessary.

28 – Cost adjustments for internally generated non-current assets

At 31 December 2019, cost adjustments for internally generated non-current assets (equal to €2,451 thousand) related to the cost incurred internally for the development of new circuit boards for a high-performance, low-consumption processor (€725 thousand); the cost incurred by the Parent Company and subsidiary Eurotech Inc. for new Cloud platform products (€1,452 thousand); €45 thousand mainly to payroll costs borne by the subsidiary Advanet Inc. for the construction of property, plant and equipment and €229 thousand for costs pertaining to new development projects.
Total adjustments for internal increases comprise €950 thousand in payroll costs (2018: €794 thousand), €1,429 thousand in service costs (2018: €1,327 thousand), €72 thousand in materials costs (2018: €193 thousand).

29 – Amortisation, depreciation and write-downs

(€'000)	FY 2019	FY 2018
Amortisation of intangile assets	1,916	1,480
Amortisation of property, plant and equipment	1,998	584
Write-down of fixed assets	10	220
Total amortisation and depreciation	3,924	2,284

Amortisation of intangible assets relates mainly to development costs and to a lesser extent, the software licenses.
The first-time adoption in 2019 of IFRS 16 led to the reporting of €1,447 thousand for depreciation of property, plant and equipment for the portion pertaining to the year. The remaining depreciation of property, plant and equipment relates to the depreciation through use of certain capital assets.

€10 thousand of the fixed assets write-down relates to the write-down of development costs where the results are no longer considered to be usable. In 2018, the write-down related to the goodwill of Eurotech France S.a.s., which was also written down by €280 thousand in 2017 and €365 thousand in 2016.

30 – Financial charges and income

€'000	FY 2019	FY 2018
Exchange-rate losses	442	591
Interest expenses	405	410
Interest expenses on lease liabilities	68	2
Expenses on derivatives	24	13
Other finance expenses	63	40
Financial charges	**1,002**	**1,056**
Exchange-rate gains	478	824
Interest income	28	24
Other finance income	10	7
Financial incomes	**516**	**855**

The performance in financial operations is influenced on an annual basis by exchange rate management, which had a net gain of €36 thousand in 2019 (2018: a gain of €233 thousand). Exchange rate performance is influenced by the booking of realised and unrealised gains and losses on the main foreign currents in which the Group operates (USD, GBP and JPY). The unrealised exchange difference amounted to a negative value of -€43 million.

The interest expense was slightly down due to less use of lines of credit.
The income from the management of interest income and other financial income is in line with last year's figures.

31 – Valuation and management of investments

Management of investments

In 2019, it was not considered necessary to report gains or losses, while in 2018, €19 thousand was attributed to the higher amount collected from the sale of the eVS embedded Vision Systems S.r.l. shares compared to the carrying amount.

32 – Income tax for the year

Income taxes amounted to €3,117 thousand in 2019, and had amounted to €58 thousand in 2018.

(€'000)	FY 2019	FY 2018
Pre-tax result	16,125	5,624
Income taxes	3,117	58

The schedule below shows the breakdown in income taxes, distinguishing current taxes from deferred tax assets and liabilities and taxes related to Italian legislation from foreign taxes of Group companies:

(€'000)	FY 2019	FY 2018
IRES (Italian corporate income tax)	36	172
IRAP (Italian Regional business tax)	259	141
Foreign current income taxes	1,286	1,476
Total current income tax	1,581	1,789
Net (prepaid) deferred taxes: Italy	(3,259)	(281)
Net (prepaid) deferred taxes: Non-italian	(1,473)	(1,562)
Net (prepaid) deferred taxes	(4,732)	(1,843)
Previous years taxes	34	(4)
Previous years taxes	34	(4)
TOTAL INCOME TAXES	(3,117)	(58)

Income taxes were a positive total of €3,117 thousand at 31 December 2019 (of which current taxes of €1,581 thousand and net deferred tax assets of -€4,732 thousand) compared with total positive taxes for €58 thousand at 31 December 2018 (current taxes of €1,789 thousand and net deferred tax assets of -€1,843 thousand), representing a €3,059 thousand change.
The deferred tax assets relate to taxes on the tax losses used during the year by certain companies in the Group, and those accounted for the first time in 2019 on the basis of convincing records to support taxable income for future years, by some of the Group companies.

The Group sustained tax losses and ACE in past years, and in 2019, for some companies in the Parent Company and the subsidiaries EthLab S.r.l., E-Tech USA Inc., Eurotech Inc., I.P.S. Sistemi Programmabili S.r.l. and Eurotech France SA, for which deferred tax assets of €27.0 million (2018: €53.2 million) were not recognised, to be accumulated within the deadlines applicable in each country to offset future taxable profits of the companies in which these losses arise. No deferred tax assets were recognised in relation to these losses as the prerequisites for using them to offset taxable profits in a reasonable period of time.

At 31 December 2019, there were no deferred tax liabilities, posted or unposted, for taxes on the undistributed earnings of certain subsidiaries or affiliates because there are no assumptions regarding distribution.

The reconciliation of income taxes applicable to the Group's pre-tax profit, using the rate in force, with the effective rate for the year ended 31 December 2019, is as follows:

(Migliaia di Euro)		FY 2019		FY 2018
Pre-tax result		**16,125**		**5,624**
Theoretical income tax rate	**24%**		**24%**	
Theoretical corporate income tax		**3,870**		**1,350**
Effect of foreign rates		151		205
Impact of taxes relating to prior periods		(8)		(4)
Non-taxed income and non-deductible expenses		246		563
Interest deductible in future periods		298		302
Impact of tax losses		(7,864)		(2,718)
Impact of permanent differences and unrecognized temporary differences		27		(130)
Impact of temporary differences not recognized in previous years		0		0
Effect of change in tax rates		0		0
DTA not recognises		180		241
Allowance for Corporate Equity		(268)		(139)
R&D credit		(43)		(30)
Other current taxes		6		165
Local taxes trough profit or loss		**288**		**137**
Total income taxes through profit or loss		(3,117)		(58)
Current taxes		1,581		1,789
Total defferred taxes		(4,732)		(1,843)
		34		(4)

Deferred tax assets at 31 December 2019 amounted to €7,981 thousand (€3,025 thousand at 31 December 2018) while deferred tax liabilities amounted to €3,097 thousand (€3,035 thousand at 31 December 2018) and are detailed as follows:

Deferred tax assets

(Migliaia di Euro)	Sundry impairment losses	Product warranty	Employees' leaving indemnity	Carry forward tax losses	R&D credit	Other tempory differences	Transfer of taxes	Total
at December 31, 2018	414	37	749	1,798	-	1,217	(1,190)	3,025
Changes in 2019								
-Through profit or loss	69	43	(3)	2,118	1,304	1,291	0	4,822
- Other changes	0	0	0	4	0	0	22	26
-Exchange rate differences	0	0	0	0	21	87	0	108
at December 31, 2019	483	80	746	3,920	1,325	2,595	(1,168)	7,981

Deferred tax liabilities

(Migliaia di Euro)	Business combination	R&D costs	Unrealised foreign exchange gains or losses	Other temporary differences	Transfer of taxes	Total
at December 31, 2018	(2,945)	(106)	(946)	(228)	1,190	(3,035)
Changes in 2019						
-Through profit or loss	0	24	(119)	5	0	(90)
- Other changes	0	0	0	139	(22)	139
-Exchange rate differences	(94)	5	0	0	0	(89)
at December 31, 2019	(3,039)	(77)	(1,065)	(84)	1,168	(3,097)

I – Other information

33 - First application of IFRS 16 - Leases

The effects resulting from the application of IFRS 16 - Leases are provided below, which requires a new and different recognition for “Rights Of Use” (ROU) effective 1 January 2019. The standard envisages the recognition of an asset for the right of use and a financial liability for the lease, eliminating the distinction between operating leases and finance leases.
To present the effects deriving from the first application in the financial statements, the Group chose to use the modified retroactive method: thus, the cumulative effect of IFRS 16 is recognised as an adjustment to the opening balance at 1 January 2019, without recalculating comparative information.
The following table shows the estimated effects from the application of IFRS 16 on the transition date:

(€'000)	at January 1, 2019
Operating lease commitments disclosed as at 31 December 2018	4,008
-short term leases (-)	(42)
Other changes	
-adjustment as a result of a different treatment of extension and termination options	884
Lease liability not discounted IFRS 16 recognised as at 1 January 2019	4,850
Adjustments relating to discounting (-)	(199)
Lease liability discounted IFRS 16 recognised as at 1 January 2019	4,651
Lease laibility ex IAS 17recognised as at 1 January 2019 (+)	48
Total lease liability IFRS 16 recognised as at 1 January 2019	4,699
Right of use assets recognised for transition to IFRS 16	
Property, plant and equipment	*4,651*
a) land and buildings	4,633
b) plant and equipment	0
c) other	18
Leased assets ex IAS 17 recognised as at January 1, 2019	48
Lease liability discounted IFRS 16 recognised as at 1 January 2019	4,699
Equity (retained earning) as at January, 1 2019	0

34 – Related-party transactions

The consolidated financial statements include the financial statements of Eurotech S.p.A., its subsidiaries and its affiliates shown in the schedule below:

Name	Location	Currency	% of ownership 31.12.2019	% of ownership 31.12.2018
Subsidiaries				
Aurora S.r.l.	Italy	Euro	100.00%	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Italy	Euro	100.00%	100.00%
ETH Lab S.r.l.	Italy	Euro	100.00%	100.00%
Eurotech France S.A.S.	France	Euro	100.00%	100.00%
Eurotech Ltd.	UK	GBP	100.00%	100.00%
E-Tech Inc.	United States	USD	100.00%	100.00%
Eurotech Inc.	United States	USD	100.00%	100.00%
Advanet Inc.	Japan	Yen	90.00% (1)	90.00% (1)
Affiliated companies				
Rotowi Technologies S.p.A. in liquidation (ex U.T.R.I. S.p.A.) (2)	Italy		21.32%	21.32%

The following table shows related-party transactions (in the period in which they were related), not eliminated on consolidation.

RELATED PARTIES	Revenues to related parties	Interest to related parties	Purchases from related parties	Purchases from related parties	Financial receivables to related parties	Receivables from related parties	Payables from related parties
Other related parties							
Leonardo Group (*)	484	-	-	-	-	-	-
Kairos Autonomi	-	5	-	-	104	-	-
Total	484	5	-	-	104	-	-
Total with related parties	484	5	-	-	104	-	-
% impact on line item	0.9%	2.0%	0.0%	0.0%	53.3%	0.0%	0.0%

(*) Value of transactions up to the date of sale of investment in Eurotech (August 5th, 2019)

The following is information on equity investments held in the company and its subsidiaries by members of the management and supervisory bodies, general managers and managers with strategic responsibilities, as well as by their spouses not legally separated and their minor children, directly or via companies controlled, trustee companies or via an interposed third party, as shown by the shareholder register, notifications received and other information acquired from the members of the management and supervisory bodies, general managers, and strategically accountable managers in compliance with the requirements of article 79 of CONSOB Regulation no. 11971/99 as subsequently amended and Annex 3C of the same regulation.

		at December 31, 2019						
Name	Nomination	Company	Possessory title	Share at January 1 or appointment	Share acquired in the period	Share disposed in the period	Share at the end of the period	of which shares at the end of the period indirectly
Panizzardi Giuseppe	President up to October 15, 2019	Eurotech	-	-	-	-	-	-
Siagri Roberto	CEO up to November 13, 2019 and President and CEO from November	Eurotech	Ownership	461,770	56,000	(45,000)	472,770	316,770
Antonello Giulio	Director	Eurotech	-	-	-	-	-	-
Costacurta Riccardo	Director	Eurotech	-	-	-	-	-	-
Mio Chiara	Director	Eurotech	-	-	-	-	-	-
Mosca Giorgio	Director up to October 15, 2019	Eurotech	-	-	-	-	-	-
Paladin Dino	Director	Eurotech	Ownership	2,847,336	10,000	(2,857,336)	-	-
Pezzuto Carmen	Director	Eurotech	-	-	-	-	-	-
Pizzol Marina	Director up to October 15, 2019	Eurotech	-	-	-	-	-	-
Curti Susanna	Director from November 13, 2019	Eurotech	-	-	-	-	-	-
Fumagalli Aldo	Director from November 13, 2019	Eurotech	-	-	-	-	-	-
Marti Antongiulio	Director from November 13, 2019	Eurotech	-	-	-	-	-	-
Favaro Gianfranco	President of Board of Statutory Auditors	Eurotech	-	-	-	-	-	-
Briganti Laura	Statutory Auditor	Eurotech	-	-	-	-	-	-
Rebecchini Gaetano	Statutory Auditor	Eurotech	-	-	-	-	-	-

35 – Financial risk management: objectives and criteria

The Group's financial instruments, other than derivative contracts, include bank loans in the various technical forms, financial leases, short-term and at-sight bank deposits. These instruments are intended to finance Group operations. The Group has several other receivable and payable financial instruments at its disposal, such as trade receivables arising from operations and liquidity. The Group also had transactions in derivatives, mainly swap or collar transactions on interest rates. The objective is to manage interest rate risks caused by Group transactions and by its sources of finance.

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

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

Interest rate risk

Group exposure to the risk of interest rate fluctuations mainly involves medium-term obligations taken on by the Group, featuring variable interest rates linked to various indices. In previous years, the Group signed interest rate swap contracts providing for recognition of a variable rate against payment of a fixed rate. The contracts are designated to hedge changes in the interest rates in place on some loans. Group policy is to maintain between 30% and 60% of its loans at a fixed rate. At 31 December 2019, about 46.7% of Group loans were at fixed rates (compared with about 62.5% in 2018). As for the loan in place at the Japanese company, it was taken up at fixed rate since it is more advantageous than those at variable rate.

Exchange rate risk

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

About 73.0% of sales of goods and services (2018: 75.2%) and 66.7% (2018: 69.3%) of the cost of goods purchases and the operating costs of the Group are denominated in a different currency from the functional currency used by the Parent Company to draw up these financial statements.

Product and component price risk

Group exposure to price risk is not significant.

Credit risk

The Group trades only with known and reliable customers. The Group's policy is to check the creditworthiness grade of customers that request extended payment arrangements. In addition, the balance of receivables is monitored during the year so that the amount of non-performing positions is not significant. Maximum risk exposure is shown in Note 7. Only some receivables from key customers are insured.
Financial assets, recorded by trading date, are recognised in the financial statements net of write-downs calculated according to the risk of counterparty default, taking into account the information available on the customer's level of solvency and historical data.
There is no significant concentration of credit risk in the Group, even though there have been occasions over the last 2 years in which the biggest customer generated more than 15% of the Group revenue. More specifically, in 2019 a single Group customer generated approximately 21.0% of the Group's turnover. Even more specifically, in 2019, three customers each generated turnover that was higher than 10% of the Group's turnover, totalling 43.7% of the Group's revenues.

Credit risk concerning other Group financial assets, which include cash and equivalents and financial instruments, presents a maximum risk equal to the book value of these assets in the event of insolvency of the counterparty.
The recent international events related to the spread of the COVID-19 virus could increase the risk of insolvency, especially with reference to smaller companies. Since there has been an increase in the supply of products and services to international customers in recent years may curb said risk under extreme conditions.

Liquidity risk

The objective of the Group is to strike a balance between maintenance of funds and flexibility through the use of overdrafts, loans, as well as via equity financing in the market.
Group policy states that no more than 40% of loans must fall due within 12 months.
At 31 December 2019, 38.2% of Group financial payables will accrue within one year (2018: 44.7%), based on the balances of the original plans.
Considering the current net financial position and the structure of working capital, the risk that the Group will be unable to honour its financial liabilities is limited. The Company systematically controls liquidity risk by analysing a specific reporting system and the economic environment; the uncertainties that are a periodic feature of the financial markets require a particular focus on liquidity risk management. With this in mind, initiatives have been taken to generate financial resources with business operations and to maintain an adequate level of available liquidity, to ensure a normal level of operations and to respond to the strategic decisions of the next few years. The Group therefore plans to respond to the requirements of payables falling due and planned investments via flows from business operations, available cash and, as necessary, via bank loans and other forms of funding.

€ '000	Less 12 months	1 to 2 yeears	3 to 5 years	> 5 years	Total
Borrowings	5,560	3,749	5,248	-	14,557
Trade payables and other liabilities	19,275	-	-	-	19,275
Contratti per beni in leasing	1,441	1,116	1,360	117	4,034
Fianancial derivatives	13	12	19	-	44
Total as of December 31, 2019	**26,289**	**4,877**	**6,627**	**117**	**37,910**

Capital management

The aim of Group capital management is to ensure that adequate levels of the capital indicators are maintained in order to sustain the business and achieve maximum value for shareholders.
The Group manages the capital structure and modifies it according to changes in economic conditions. Group policy does not currently include the distribution of dividends. To maintain or upgrade the capital structure, the Group may reimburse capital or issue new securities.
No change was made to the objectives, policies, or procedures during the years 2018 and 2019.
The Group will periodically verify its capital using a debt/capital ratio, i.e. the ratio of net debt to total equity plus net debt. Currently, given the decidedly unstable global financial situation, it is not easy to obtain financing from lending institutions, although the parameters set by management policy remain valid.
Group policies should aim to maintain the debt/capital ratio at between 20% and 40%. Group net debt includes interest-bearing loans and payables for equity investments, net of cash and cash equivalents. Capital includes the capital attributable to Parent Company shareholders, net of undistributed net profits.

(€'000)	at December 31, 2019	at December 31, 2018
Other current and non current financial assets	(197)	(191)
Derivative instruments	44	20
Borrowing	18,591	12,437
Cash & cash equivalents	(30,687)	(13,196)
Net financial position	**(12,249)**	**(930)**
Group Equity	124,656	102,042
Group Equity	**124,656**	**102,042**
EQUITY AND NET FINANCIAL POSITION	112,407	101,112
Net financial position on Equity	-9.8%	-0.9%

36 – Financial Instruments

Measurement of fair value and relative hierarchical valuation levels

All financial instruments recognised at fair value are classified within the following three categories:
Level 1: market price
Level 2: valuation techniques (based on observable market data)
Level 3: valuation techniques (not based on observable market data).

The fair value of derivatives and of loans obtained has been calculated by discounting expected cash flows to present value applying prevailing interest rates. The fair value of the other financial assets was calculated by using market interest rates. As IFRS 13 requires, for each of the financial assets and liabilities the company analysed the effect of their measurement at fair value. The measurement process refers to Level 3 of the fair value hierarchy, except for trading in derivatives as described in greater detail hereunder, and revealed no considerable differences compared to the book values at 31 December 2019 and on the respective comparison figures.

At 31 December 2019, the Group held the following financial instruments measured at fair value:

(€'000)	Notional value at December 31, 2019	Fair value at December 31, 2019 (debit)	Fair value at December 31, 2019 (credit)	Notional value at December 31, 2018	Fair value at December 31, 2018 (debit)	Fair value at December 31, 2018 (credit)
Cash flow hedge						
Contracts Interest Rate Swap (IRS)	6,216	0	(44)	3,328	0	(20)

All the assets and liabilities measured at fair value at 31 December 2019 are at Level 2 of the fair value measurement scale. In addition, during 2019 there were no transfers from Level 1 to Level 2 or Level 3, or vice versa.

Financial instruments by category

As required by IFRS 7, the financial instruments are listed by category below:

at December 31, 2019									
(€'000)	Financial assets at fair value through profit or loss	Financial assets at fair value through equity	Financial assets and receivables carried at amortized cost	Total	(€'000)	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through equity	financial liabilities carried at amortized cost	Total
Asstes as per balance sheet					**Liabilities as per balance sheet**				
Trade and other receivables exluding pre-payments	-	-	11,707	**11,707**	Borrowings (excluding finance lease liabilities	-	-	14,594	**14,594**
Other non current financial assets	-	-	-	**-**	Finance lease liabilities and ROU	-	-	3,997	**3,997**
Other current financial assets	3	-	105	**108**	Derivative financial instruments		44	-	**44**
Cash & cash equivalents	-	-	30,687	**30,687**	Trade and other payables exluding non-financial liabilities	-	-	11,562	**11,562**
Total	3	-	42,499	42,502	Total	-	44	30,153	30,197

at December 31, 2018									
(€'000)	Financial assets at fair value through profit or loss	Financial assets at fair value through equity	Financial assets and receivables carried at amortized cost	Total	(€'000)	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through equity	financial liabilities carried at amortized cost	Total
Asstes as per balance sheet					**Liabilities as per balance sheet**				
Trade and other receivables exluding pre-payments	-	-	13,808	**13,808**	Borrowings (excluding finance lease liabilities	-	-	12,383	**12,383**
Other non current financial assets	-	-	-	**-**	Finance lease liabilities	-	-	54	**54**
Other current financial assets	4	-	100	**104**	Derivative financial instruments	-	20	-	**20**
Cash & cash equivalents	-	-	13,196	**13,196**	Trade and other payables exluding non-financial liabilities	-	-	14,411	**14,411**
Total	4	-	27,104	27,108	Total	-	20	26,848	26,868

The fair value of the financial assets and liabilities does not significantly differ from the book values.

Interest rate risk

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

Hedging

Cash flow hedges

At 31 December 2019, the Group held five IRS contracts (of a notional contractual value of €6.2 million) of which two were signed during the year; all five contracts are designated as interest rate risk hedging instruments.

	Due date	Fixed rate	Floating rate	Market value (€'000)
Interest rate swap contracts				
Euro 106.509,74	29 May 2020	0.35%	Euribor 3 months	(0)
Euro 171.615,47	29 May 2020	0.00%	Euribor 3 months	(0)
Euro 1.621.889,15	29 December 2023	0.25%	Euribor 3 months	(20)
Euro 253.266,00	26 January 2021	0.01%	Euribor 3 months	0
Euro 4.062.500,00	31 March 2023	0.01%	Euribor 3 months	(23)
TOTAL				(44)

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

The accounting treatment of these financial instruments entailed a decrease in equity of €24 thousand and decreased the cash flow hedge reserve as a direct reduction of equity to €44 thousand.

37 – Potential liabilities

There are no significant potential liabilities to report except for what is stated in Note 18.

38 - Information requested on the basis of Italian law no. 124/2017

With reference to the requirements under Italian law no. 124/2017, article 125, the grants received by the companies governed by Italian law only that belong to the Group are presented on the basis of the "cash method":

		at December 31, 2019	
COMPANY	LENDING INSTITUTION	PROJECT DESCRIPTION	RECEIVED AMOUNT
Eurotech S.p.A.:			
	Fondimpresa	Training	7
	European Community	AGILE Research and Innovation - Information and Communications Technologies	370
	GSE	Photovoltaic system	7
			61
	Altri residuali		2
ETH Lab:			
	European Community	AGILE Research and Innovation - Information and Communications Technologies	119
RECEIVED GRANTS			566

39 – Events after the reporting date

Starting from January 2020, the national and international scenario was hit by the spread of the Coronavirus and the consequent restrictive measures taken by the public authorities in the affected countries to contain it. This is an extraordinary situation in terms of both nature and extent, and has direct and indirect repercussions on economic activities, creating a general context of uncertainty with no way of knowing how it will develop and what the effects will be. The potential effects of this on the financial statements cannot be currently determined and the situation will be constantly monitored over the course of 2020. In any case, the solid financial situation of the Group as well as the consolidated relationships with primary customers suggests that there are sufficient elements not to consider the Group's business continuity affected.

No further significant events took place after the closing of the Consolidated Financial Statements at 31 December 2019.

Amaro, 12 March 2020

On behalf of the Board of Directors
Chairman and CEO
Roberto Siagri

Annex I - Information provided pursuant to article 149-duodecies of the CONSOB Issuers' Regulation

The schedule below has been prepared in accordance with article 149-duodecies of the CONSOB Issuers' Regulation and shows the amounts paid in 2019 for the auditing services.

(€)	Service provider	Eurotech Group entity	2019 fees
Audit			
	PricewaterhouseCoopers S.p.A.	Parent company - Eurotech S.p.A.	124,254
	Network PricewaterhouseCoopers	Subsidiaries	127,728
Other services			
	TLS Associazione Professionale di Avvocati e Commercialisti	Parent company - Eurotech S.p.A.	26,601
TOTAL			278,583

Certification of the Consolidated Financial Statements pursuant to article 154-bis of Italian Legislative Decree of 24 February 1998, no. 58

Amaro, 12 March 2020

1. We the undersigned, Roberto Siagri, the Chief Executive Officer and Sandro Barazza, the Financial Reporting Manager of Eurotech S.p.A., hereby attest, pursuant to article 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998, to:
   - the adequacy in relation to the characteristics of the company and
   - the effective application

   of the administrative and accounting procedures for the drafting of the financial statements during the financial year 2019.

2. Valuation of the adequacy of the administrative and accounting procedures for the formation of the Consolidated Financial Statements at 31 December 2019 is based on a model Eurotech defined in line with the CoSO framework (document in the CoSO Report) and also takes into account the document "Internal Control over Financial Reporting – Guidance for Smaller Public Companies", both prepared by the Committee of Sponsoring Organizations of the Treadway Commission that represent a generally accepted reference framework on the international level.

3. We furthermore attest that:
   3.1 The Consolidated Financial Statements at 31 December 2019:
   - were prepared in compliance with the international accounting standards recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, dated 19 July 2002;
   - corresponds to the results in the corporate books and accounting records;
   - provide a fair and true representation of the assets, liabilities, financial position and profit or loss of the Issuer and of all its consolidated companies.

   3.2 The report on operations includes a fair review of the development and performance of the business and the situation of Eurotech as the Issuer and of all its consolidated companies, together with a description of the principal risks and uncertainties that they face.

The Chairman and Chief Executive Officer
Roberto Siagri

The Financial Reporting Manager
Sandro Barazza

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Eurotech SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Eurotech Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated cash flow statement for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Eurotech SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

pwc

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valuation of the recoverability of goodwill and intangible assets with indefinite useful life *Note G - 1 of the explanatory notes to the consolidated financial statements "Intangible assets"* As described in the annual consolidated financial statements, as of 31 December 2019 the Eurotech Group recorded goodwill totaling Euro 72.980 thousand and trademarks with indefinite useful life totaling Euro 8.684 thousand (together representing 48% of consolidated total assets). The assessment of any impairment loss on the assets recorded in the consolidated financial statements ("impairment test") is performed at least annually by the Company. The valuation of the recoverable amount of goodwill and trademarks with indefinite useful life has been assessed considering the value in use. The cash flows applied derive from the 2020-2024 operating and financial plan approved by the Board of Directors on 6 March 2020. We focused on this area as the determination of the recoverable value implied a high degree of evaluation and professional judgement as a result of several factors, including forecast of the Group's future performance and, accordingly, the estimation of the expected cash flows, as well as the discount rate of the cash flows applied.	We obtained the impairment tests and the documentation used by the management to determine the recoverable value in compliance with IAS 36 and we performed, also with the support of experts belonging to the PwC network, the following audit procedures: • understanding and evaluation of the method adopted by the management to determine the value in use of the cash generating units (CGU) where goodwill and intangible assets with indefinite useful life have been allocated; • examination of the cash flow projections as per the 2020 – 2024 operating and financial plan, by means of interviews with management of the Company in order to understand the planned business strategies and critical analysis relating to the assumptions underlying the new operating and financial plan; • review of the consistency between the evaluation method adopted and the standard evaluation procedures; • verification of the reliability of the calculations in the model; • check of the reasonableness of the main assessment parameters used (discount rate, perpetual growth rate); • sensitivity analysis on the parameters above, and; • examination of the correct evaluation of the assets and liabilities book value of each CGU, including the goodwill and the intangible assets allocated, used for the comparison with the recoverable value. Finally, we evaluated the complete and correct disclosure provided in the explanatory notes to the consolidated financial statements.

pwc

Valuation of the recoverability of capitalized development costs included within assets

Note G – 1 of the explanatory notes to the consolidated financial statements "Intangible assets"

The Eurotech Group's strategy is based on the research and development of new technological and application solutions able to give a competitive advantage to its customers. This implies that the Eurotech Group will allocate financial resources to the research and development of such solutions. As of 31 December 2019, Development costs capitalized in the consolidated financial statements, either within Development costs or within Assets under construction and advances, amounted to Euro 6.414 thousand (representing 4% of the consolidated total assets).

We focused on this matter because the determination of the recoverable value of capitalized development costs entailed a high degree of evaluation and professional judgement with reference to future cash flows deriving from the estimated sales of reference products.

We obtained the supporting documents relating to the development costs incurred together with the analysis carried out by the management to evaluate their recoverable value, and we carried out the following audit procedures:

- on a sample basis, check of compliance with the IAS 38 requirements to capitalize such costs as assets on the balance sheet;
- interviews with the Company management and analysis of the documents available to evaluate the technical feasibility and marketability of the products to be manufactured, the sales forecasts derived from the operating and financial plan and the consistency of the estimates with any orders already acquired;
- examination of the amortization criteria and of the expected useful life of such costs.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Parent Company Eurotech SpA or to cease operations, or have no realistic alternative but to do so.
The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

pwc

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

pwc

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 24 April 2014, the shareholders of Eurotech SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2014 to 31 December 2022.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Eurotech SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Eurotech Group as of 31 December 2019, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Eurotech Group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Eurotech Group as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Udine, 27 March 2020

PricewaterhouseCoopers SpA

Signed by

Maria Cristina Landro
(Partner)

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