

Consolidated Interim Management Report

at 30 September 2020

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

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Corporate Bodies

Board of Directors	
Chairman	Patrizio Mapelli
Vice Chairman	Aldo Fumagalli ¹
Director	Roberto Siagri
Director	Marco Costaguta ¹
Director	Susanna Curti ^{1 5}
Director	Maria Grazia Filippini ^{1 2 3 4 5}
Director	Antongiulio Marti ^{1 3}
Director	Chiara Mio ^{1 2 3 4}
Director	Laura Rovizzi ^{1 2 4 5}

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 28 April 2020, and will remain in office until approval of the 2022 financial statements.

Board of Statutory Auditors	
Chairman	Fabio Monti
Statutory Auditor	Gaetano Rebecchini
Statutory Auditor	Daniela Savi
Substitute Statutory Auditor	Pietro Biagio Monterisi
Substitute Statutory Auditor	Luigina Zocco

The Board of Statutory Auditors currently in office was appointed by shareholders at the Annual General Meeting of 28 April 2020, and will remain in office until approval of the 2022 financial statements.

Independent auditor
PricewaterhouseCoopers

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

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

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 and Appointments Committee

Performance highlights

Financial data

3rd Q 2020	%	3rd Q 2019	%	% change	(€'000)	9M 2020	%	9M 2019	%	% change
OPERATING RESULTS										
16,384	100.0%	26,660	100.0%	-38.5%	SALES REVENUES	52,572	100.0%	79,698	100.0%	-34.0%
8,911	54.4%	13,710	51.4%	-35.0%	GROSS PROFIT MARGIN (*)	27,889	53.0%	40,050	50.3%	-30.4%
1,662	10.1%	5,318	19.9%	-68.7%	EBITDA (**)	4,869	9.3%	16,192	20.3%	-69.9%
691	4.2%	4,306	16.2%	-84.0%	EBIT (***)	1,802	3.4%	13,250	16.6%	-86.4%
334	2.0%	4,424	16.6%	-92.5%	PROFIT (LOSS) BEFORE TAXES	1,630	3.1%	13,116	16.5%	-87.6%
95	0.6%	3,094	11.6%	-96.9%	GROUP NET PROFIT (LOSS) FOR THE PERIOD	672	1.3%	11,927	15.0%	-94.4%

(*) Gross profit margin is the difference between revenues from sales of goods and services and use of raw materials.

(**) EBITDA is an interim result, determined before amortisation, depreciation and write-downs of fixed assets, financial income and charges, valuations of associated companies using the equity method and income taxes for the period. This is a measure used by the Group to monitor and assess operating performance. Since the composition of EBITDA is not regulated by the reference accounting standards, the calculation criterion applied by the Group may not be consistent with that used by other companies and would therefore not be comparable.

(***) The operating result (EBIT) is gross of financial charges and income, of the valuation of associated companies using the equity method and of income taxes for the period.

Statement of financial position data

€'000	at September 30, 2020	at December 31, 2019	at September 30, 2019
BALANCE SHEET AND FINANCIAL HIGHLIGHTS			
NET NON-CURRENT ASSETS	103,453	104,367	101,327
NET WORKING CAPITAL	19,590	14,890	20,724
NET INVESTED CAPITAL*	115,946	112,407	115,130
SHAREHOLDERS' EQUITY	122,303	124,656	120,377
NET FINANCIAL POSITION	(6,357)	(12,249)	(5,247)

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

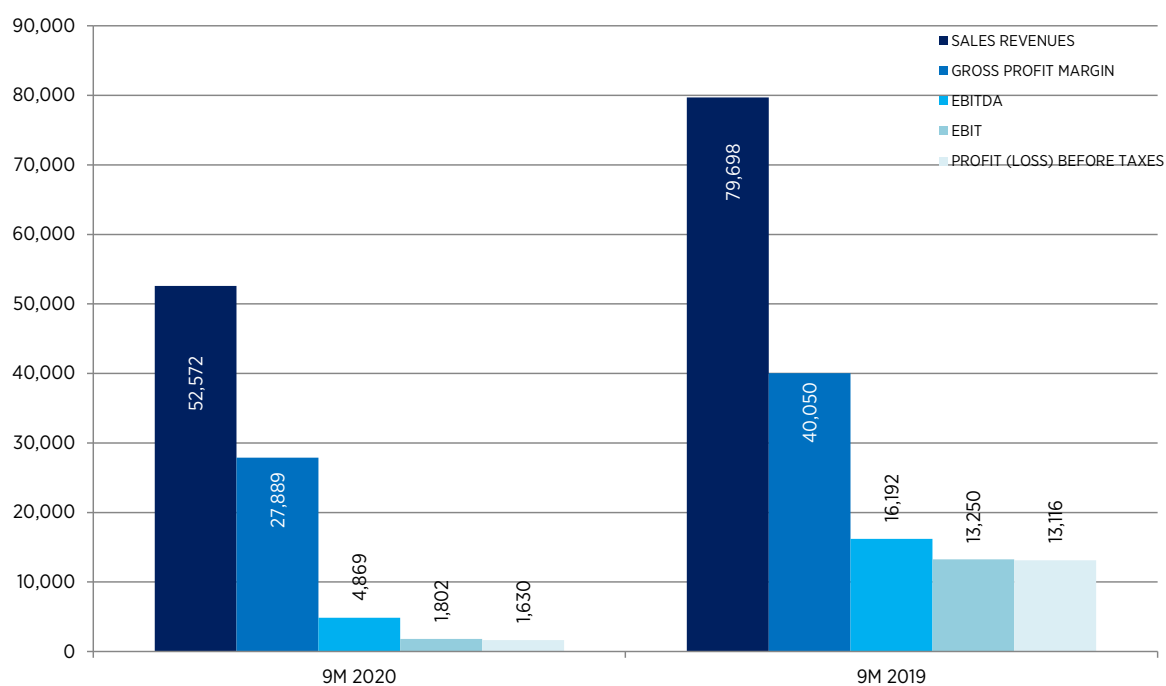
Number of employees

	at September 30. 2020	at December 31, 2019	at September 30. 2019
NUMBER OF EMPLOYEES	317	318	315

Revenues by business line

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

Summary of the results



Information for shareholders

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

Share capital of Eurotech S.p.A. at 30 September 2020

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	349,520
Stock market capitalisation (based on the share's average price in September 2020)	€137 million
Stock market capitalisation (based on the share's reference price at 30 September 2018)	€137 million

Performance of Eurotech S.p.A. shares

Relative performance EUROTECH S.p.A.
01.01.2020 – 30.09.2020

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



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



The Eurotech Group

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

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

In this perspective, Eurotech carries out research and development activities aimed towards the production and sale of high capacity, low consumption miniaturized computers, for use in various industrial environments, that are easily connected together and to the “cloud” through Internet of Things (IoT) hardware and software technologies.

The Group’s offering 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 consumption processing and communications sub-systems for fixed and mobile applications built using base components and third-party components (product families: BoltMAR, BoltCOR, DynaCOR, etc.);
- ready to use devices and sensors made from base components and sub-systems with integrated specific software (product lines: ReliaGATE and DynaGATE for IoT Gateways, BoltGATE for Edge Computers, and as for smart sensors, the PCN and the ReliaSENS);
- IoT software for the cloud integration of base components, sub-systems and devices: Everyware Software Framework (ESF) for Edge computers on the Operational Technology (OT) side and the Everyware Cloud (EC) integration platform on the Information Technology (IT) side;
- solution design and product personalisation services in order to simplify their integration with customer solutions.

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

With the emergence of Industry 4.0 and the diffusion of artificial intelligence and collaborative robotics, much of the processing power that in the past moved from the “periphery” to the “centre” (Cloud computing) is now returning to the “periphery” (Edge computing). The paradigm of Edge computing is revitalising both the traditional sector of embedded computers and that of High Performance Computers (HPC). More and more embedded computers will be in demand at the periphery, provided that they are connected to the Cloud (Edge Computers) and this connection is guaranteed by the two software components that make up the software platform for the Eurotech IoT: ESF for the Edge side and EC for the Cloud side. Eurotech, a step ahead of the market, developed a platform for industrial IoT, marketed as EverywareIoT which, 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 begin to be miniaturised, just as personal computers became smaller in the 1990s, until they can be used at the edge. Thus, HPCs will move from the “centre” to the “periphery”, becoming what are known today as HPECs (High Performance

Embedded Computers). Thanks to the know-how acquired throughout the years on the design and development of HPCs with hot water, low pressure cooling, Eurotech is one of just a handful of companies that is able to offer very compact HPECs that are capable of operating in very small spaces typical of mobile applications and are ready to meet the current needs of our target markets.

As we continue to improve our consolidated offer, we increasingly face the challenge of creating end-to-end solutions to easily connect and manage distributed intelligent objects and to transport valuable data from these objects to business applications, all of which leveraging the Cloud IT infrastructure.

At Eurotech, we know how to move to the Cloud the data generated in real-world applications, creating the Data Lake of digital twins of physical assets, therefore making the data usable for business processes and applications. Today, our embedded computers, both in the form of boards and sub-systems, and our devices can be easily integrated into a Cloud infrastructure - public, private or on-premises, through our Everyware Cloud software platform, which allows users to quickly connect intelligent objects to build distributed systems for IoT applications. Thanks to our technology components, our partners and customers can create flexible solutions that support asset-monitoring applications in various operational contexts and the performance of new value-added services.

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

Eurotech has always aimed at excelling within industry standards. It has understood that, to provide its customers with performing and forward-looking solutions, excellence should not just be achieved through proprietary solutions, but rather as far as possible with state-of-the-art solutions that stay true to existing standards and, should they not exist, it must contribute to the formation of the same, as it is doing in the Internet of things (MQTT protocol and the open-source Kura and Kapua projects within the Eclipse Foundation).

Lastly, with a view to business sustainability and to be able to continuously adapt the business model to the market, the company has constantly focused on the technological development of its products, so as to evolve the offer adding increasingly integrated devices to the same, which are becoming easier to interconnect to networks and which also enable recurring revenue business models to be pursued.

Summary of performance in the third quarter of 2020 and business outlook

Introduction

The interim management statement of the Eurotech Group as at 30 September 2020, which has not been independently audited, and the statements for comparative periods were drawn up according to the IASs/IFRSs issued by the International Accounting Board and endorsed by the European Union.

The Group's results as at 30 September 2020 and comparable periods were prepared according to the IASs/IFRSs in force on the date of preparation and the statements drawn up according to Annex 3D of the Italian Issuers' Regulation no. 11971 of 14 May 1999, as amended and supplemented.

Reporting policies

The consolidated financial statements were drafted on the basis of the financial statements as at 30 September 2020 prepared by the consolidated companies and adjusted, where necessary, to align them with the Group's IFRS-compliant accounting and classification policies.

The assessment and accounting policies and consolidation methods used to prepare the Consolidated Quarterly Report are consistent with those used in the Group Consolidated Annual Financial Report as at 31 December 2019, to which we expressly invite readers to refer, except for the adoption of new standards, amendments and interpretations in force as at 1 January 2020.

The calculation of taxes was carried out on the basis of the best possible estimate that can currently be carried out, also taking into consideration the tax benefit of tax-loss carryforwards based on the expected results for the end of the year. According to the criterion used for translation into Euro of accounts expressed in different currencies, statement of financial position items are translated at the exchange rate in effect on the final day of the accounting period, and income statement items are translated at the average exchange rate for the period. Differences arising from translation of the statement of financial position and income statements are posted to a Shareholders' Equity reserve.

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

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

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

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

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

COVID-19 update

COVID-19 pandemic continues to be the leading cause of high uncertainty for the global economy. After the initial serious effects recorded between March and May due to the containment measures, the so-called “lockdown”, in September restrictive measures were tightened once again. Ongoing concern with regard to the evolution of the pandemic and the consequent decisions of governments could have a long-term impact on the global economy.

The global economic crisis relating to the spread of COVID-19 and above all the uncertainty that it has caused have certainly affected the activities of the Eurotech Group. The pandemic containment measures adopted by the various governments of the countries in which the Group operates have led to a significant reduction in commercial activities, while other activities to support ongoing operations and customer service have continued, albeit through the wide-spread use of smart working. International travel continues to be heavily restricted and in some cases banned, and there has also been no possibility of participating in trade fairs and promotional events that have historically represented a precious source of new business opportunities.

The continued markedly negative trend in the international economic and social situation and the ongoing restrictions imposed in the various areas in which the Group operates have significantly reduced visibility in the medium-long term, making it difficult to fully and accurately identify and assess the impacts of COVID-19.

As a result of this situation, the Eurotech Group promptly took action to make use of all forms of financial support envisaged by current regulations and permitted as regards its size and repayment capacity.

Taking into consideration the continued uncertainty and the limited visibility in the short term, it was deemed appropriate, for now, to provide the Group with approximately €6 million in additional financial resources, in excess of normal needs. As yet, the Group has not used any of the short-term credit lines, having adequate financial resources and a good net financial position.

Operating performance in the period

Against this background of widespread difficulties, group revenues in 9M20 totalled €52.57 million, down by 34.0% (-34.3% at constant exchange rates) compared to 9M19 when turnover was €79.70 million. Despite this, the results remain positive both because it was able to maintain an EBITDA higher than 9% and because it still obtained a positive net result for the period, thus proving the resilience of the Group's economic and financial structure, which is streamlined with a low break-even point. In the third quarter, turnover amounted to €16.38 million, compared to €26.67 million in the corresponding period of 2019.

The third quarter did not show any reversal of the trend with respect to the first six months and order collection continued to suffer due to the difficulties caused by the Coronavirus crisis. Many customers have suspended or postponed investment decisions on new projects, and for projects in progress we have seen extended order release times and a reduction in the coverage period to an absolute minimum. In some limited cases, rather than allow the COVID-19 pandemic to interrupt their decision-making processes, certain customers instead changed their strategies in order to deal with its impacts and respond, at least in the short term, to the changed market conditions. The third quarter was therefore affected by the order collection difficulties seen at the end of 2019 and in the first part of 2020.

With reference to the location of the Group's activities, the global scenario has had a significant impact in North America and Europe and only a marginal impact in Japan. In 9M20, the US area generated the largest turnover with 37.8% of the total (49.4% in 9M19), followed by the Japanese area with 33.1% (23.4% in 9M19), while the European area represents the remaining 29.1% (27.1% in 9M19).

Gross profit in the period totalled €27.89 million, accounting for 53.0% of turnover, compared to 50.3% in 9M19. This value also improved compared to that of 1H20 (accounting for 52.4%) and that recorded for the year 2019 (which amounted to 50.9%). The gross margin in percentage terms is above the reference threshold of 50% defined by management. Gross profit is an important indicator because it measures the alignment of the product mix sold with the strategy, and because it highlights customers' recognition of the innovation of our products. The good result achieved in terms of gross profit shows how Eurotech is able to develop high value-added technologies and products that continue to match the needs of the market in this crucial digital transformation era.

With reference to operating costs gross of adjustments, in 9M20 they amounted to €25.65 million, down by 0.7% compared to €25.84 million in 9M19. At constant exchange rates, the decrease would have been 1.4%.

Comparing operating costs for the third quarter with those recorded in the first and second quarters of the year, there was a decrease of 6.4% and 7.7% respectively.

By reason of the fabless model adopted, operating costs are largely fixed and, as demonstrated last year, significant operating leverage is activated as the turnover increases. On the other hand, in a phase such as the current phase, it should be noted that the operating structure is lean and allows large fluctuations in turnover to be managed. The impact of gross operating costs on revenues recorded in 9M20 was 48.8% in percentage terms compared to 32.4% in the 9M19.

Personnel costs amounted to €15.50 million, in line with the €15.35 million recorded in 9M19. As a result of the reduction in turnover, the impact on revenues was 29.5%, compared to 19.3% in 9M19. The workforce at 30 September 2020 was 317 (318 at 31 December 2019 and 315 at 30 September 2019), with an average for the period of 318 employees (310 in 9M19).

EBITDA for 9M20 was €4.87 million (9.3% of revenues) compared with €16.19 million in 2019 (20.3% of revenues), reflecting the trend of both gross profit and of operating costs and other revenues.

EBIT came to €1.80 million in 9M20 (3.4% of revenues), compared to €13.25 million in 9M19 (16.5% of revenues). In addition to the above, the EBIT performance also reflects the depreciation and amortisation recognised in the income statement in 9M20, deriving from operating assets becoming subject to depreciation in the period.

Net finance expense was negative for €172 thousand in 9M20, while in 9M19 it was negative for €134 thousand. For greater detail, readers should refer to the comments made in Note "J".

The Group booked a pre-tax profit in 9M20 of €1.63 million, versus a profit of €13.12 million in 9M19. The performance of the pre-tax result mainly reflects the EBIT performance.

Estimated taxes, calculated based on the rates established for the year by governing regulations and - limited to and in only the UK subsidiary - considering the tax benefit that would result from the recognition of deferred tax assets deriving from tax losses generated in the period, amount to €0.96 million. In 2019, the incidence of taxes on the Income Statement was limited to the effect of the recognition of part of the deferred tax assets deriving from unrecognised tax losses in previous years, which almost fully covered the taxes for the period.

The net result for the Group was €0.67 million (€11.93 million in 9M19), with a 1.3% impact on revenues.

Financial statements and explanatory notes

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

Consolidated income statement

(€ '000)	Notes	9M 2020 (b)	of which related parties	%	9M 2019 (a)	of which related parties	%	change (b-a) amount	%
Sales revenue	C	52,572	2	100.0%	79,698	252	100.0%	(27,126)	-34.0%
Cost of material	D	(24,683)		-47.0%	(39,648)		-49.7%	(14,965)	-37.7%
Gross profit		27,889		53.0%	40,050		50.3%	(12,161)	-30.4%
Services costs	E	(9,236)	-	-17.6%	(9,682)	(1)	-12.1%	(446)	-4.6%
Lease & hire costs		(307)		-0.6%	(250)		-0.3%	57	22.8%
Payroll costs	F	(15,505)		-29.5%	(15,351)		-19.3%	154	1.0%
Other provisions and costs	G	(607)		-1.2%	(554)		-0.7%	53	9.6%
Other revenues	H	2,635		5.0%	1,979		2.5%	656	33.1%
EBITDA		4,869		9.3%	16,192		20.3%	(11,323)	-69.9%
Depreciation & Amortization	I	(3,007)		-5.7%	(2,932)		-3.7%	75	2.6%
Asset impairment	I	(60)		-0.1%	(10)		0.0%	50	500.0%
EBIT		1,802		3.4%	13,250		16.6%	(11,448)	-86.4%
Finance expense	J	(850)		-1.6%	(880)		-1.1%	(30)	-3.4%
Finance income	J	678	3	1.3%	746	1	0.9%	(68)	-9.1%
Profit before tax		1,630		3.1%	13,116		16.5%	(11,486)	-87.6%
Income tax	K	(958)		-1.8%	(1,189)		-1.5%	(231)	-19.4%
Net profit (loss) of continuing operations before minority interest		672		1.3%	11,927		15.0%	(11,255)	-94.4%
Minority interest	O	0		0.0%	0		0.0%	0	n/a
Group net profit (loss) for period	O	672		1.3%	11,927		15.0%	(11,255)	-94.4%
Base earnings per share		0.086			0.344				
Diluted earnings per share		0.086			0.344				

(€ '000)	Notes	3rd Qtr 2020	%	3rd Qtr 2019	%
Sales revenue	C	16,384	100%	26,660	100%
Cost of material	D	(7,473)	-45.6%	(12,950)	-48.6%
Gross profit		8,911	54.4%	13,710	51.4%
Services costs	E	(2,997)	-18.3%	(3,255)	-12.2%
Lease & hire costs		(92)	-0.6%	(89)	-0.3%
Payroll costs	F	(4,821)	-29.4%	(5,276)	-19.8%
Other provisions and costs	G	(231)	-1.4%	(132)	-0.5%
Other revenues	H	892	5.4%	360	1.4%
EBITDA		1,662	10.1%	5,318	19.9%
Depreciation & Amortization	I	(971)	-5.9%	(1,012)	-3.8%
Asset impairment	I	0	0.0%	0	0.0%
EBIT		691	4.2%	4,306	16.2%
Finance expense	J	(319)	-1.9%	(374)	-1.4%
Finance income	J	(38)	-0.2%	492	1.8%
Profit before tax		334	2.0%	4,424	16.6%
Income tax	K	(239)	-1.5%	(1,330)	-5.0%
Net profit (loss) of continuing operations before minority interest		95	0.6%	3,094	11.6%
Minority interest	O	0	0.0%	0	0.0%
Group net profit (loss) for period	O	95	0.6%	1,464	5.5%
Base earnings per share					
Diluted earnings per share					

Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	9M 2020	9M 2019
(€ '000)		
Net profit (loss) before minority interest (A)	672	11,927
Other elements of the statement of comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Net profit/(loss) from Cash Flow Hedge	(34)	(53)
Tax effect	-	-
	(34)	(53)
Foreign balance sheets conversion difference	(1,435)	3,925
Exchange differences on equity investments in foreign companies	(1,908)	1,943
Tax effect	-	-
	(1,908)	1,943
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)	(3,377)	5,815
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial gains/(losses) on defined benefit plans for employees	-	-
Tax effect	-	-
	-	-
After taxes net other comprehensive income not being reclassified to profit or loss in subsequent periods (C)	-	-
Comprehensive net result (A+B+C)	(2,705)	17,742
Comprehensive minority interest	-	-
Comprehensive Group net profit (loss) for period	(2,705)	17,742

Consolidated statement of financial position

(€'000)	Notes	at September 30, 2020	of which related parties	at December 31, 2019	of which related parties
ASSETS					
Intangible assets	L a	88,135		88,905	
Property, Plant and equipment	L b	6,186		6,565	
Investments in other companies		557		162	
Deferred tax assets		7,841		7,981	
affiliates companies and other Group companies		60	60	89	89
Other non-current assets		674		665	
Total non-current assets	L	103,453		104,367	
Inventories		19,442		21,256	
Trade receivables		14,819	1	11,707	1
Income tax receivables		612		269	
Other current assets		2,319		2,115	
Other current financial assets		93	0	108	15
Cash & cash equivalents		29,894		30,687	
Total current assets		67,179		66,142	
Total assets		170,632		170,509	
LIABILITIES AND EQUITY					
Share capital		8,879		8,879	
Share premium reserve		136,400		136,400	
Other reserves		(22,976)		(20,623)	
Group shareholders' equity	O	122,303		124,656	
Equity attributable to minority interest	O	-		-	
Total shareholders' equity	O	122,303		124,656	
Medium-/long-term borrowing		16,366		11,590	
Employee benefit obligations		2,762		2,604	
Deferred tax liabilities		3,243		3,097	
Other non-current liabilities		1,032		1,060	
Total non-current liabilities		23,403		18,351	
Trade payables		9,616		11,562	
Short-term borrowing		7,246		7,001	
Derivative instruments		78		44	
Income tax liabilities		427		1,182	
Other current liabilities		7,559		7,713	
Total current liabilities		24,926		27,502	
Total liabilities		48,329		45,853	
Total liabilities and equity		170,632		170,509	

Consolidated statement of changes in equity

(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 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 June 30, 2019	-	-	-	-	-	-	-	-	-	11,927	11,927	-	11,927
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	(53)	-	-	-	-	(53)	-	(53)
- Foreign balance sheets conversion difference	-	-	-	3,925	-	-	-	-	-	-	3,925	-	3,925
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	1,943	-	-	1,943	-	1,943
Total Comprehensive result	-	-	-	3,925	-	(53)	-	1,943	-	11,927	17,742	-	17,742
- Performance Share Plan	-	-	-	-	349	-	-	-	244	-	593	-	593
Balance as at September 30, 2019	8,879	1,776	136,400	16,148	(58,284)	(73)	(425)	5,868	(1,839)	11,927	120,377	-	120,377

(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2019	8,879	1,776	136,400	14,224	(58,907)	(44)	(531)	4,650	(1,033)	19,242	124,656	-	124,656
2019 Result allocation	-	-	-	-	19,242	-	-	-	-	(19,242)	-	-	-
Profit (loss) as at September 30, 2020	-	-	-	-	-	-	-	-	-	672	672	-	672
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	(34)	-	-	-	-	(34)	-	(34)
- Foreign balance sheets conversion difference	-	-	-	(1,435)	-	-	-	-	-	-	(1,435)	-	(1,435)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	(1,908)	-	-	(1,908)	-	(1,908)
Total Comprehensive result	-	-	-	(1,435)	-	(34)	-	(1,908)	-	672	(2,705)	-	(2,705)
- Performance Share Plan	-	-	-	-	140	-	-	-	212	-	352	-	352
Balance as at September 30, 2020	8,879	1,776	136,400	12,789	(39,525)	(78)	(531)	2,742	(821)	672	122,303	-	122,303

Net financial position

Pursuant to the CESR recommendation of 10 February 2005, the following table shows the Group's net financial position at 30 September 2020, breaking it down by due date and comparing it with the situation at 30 September 2019 and 31 December 2019:

(€'000)		at September 30, 2020	at December 31, 2019	at September 30, 2019
Cash & cash equivalents	A	(29,894)	(30,687)	(24,933)
Cash equivalent	B=A	(29,894)	(30,687)	(24,933)
Other current financial assets	C	(93)	(108)	(109)
Derivative instruments	D	78	44	73
Short-term borrowing	E	7,246	7,001	7,319
Short-term financial position	F=C+D+E	7,231	6,937	7,283
Short-term net financial position	G=B+F	(22,663)	(23,750)	(17,650)
Medium/long term borrowing	H	16,366	11,590	12,495
Medium-/long-term net financial position	I=H	16,366	11,590	12,495
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	(6,297)	(12,160)	(5,155)
Medium/long term borrowing allowed to affiliates companies and other Group	K	(60)	(89)	(92)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	(6,357)	(12,249)	(5,247)

The consolidated net financial position at 30 September 2020 amounted to net cash of €6.36 million, compared to a net financial position with net cash of €12.25 million at 31 December 2019. The change is mainly due to the negative trend of net working capital which absorbed liquidity.

The application of the IFRS 16 accounting standard, adopted by the company from 1 January 2019, entailed the recognition by Group companies of financial liabilities for rights of use at 30 September 2020 equal to €2.67 million that, added to the net financial position, resulted in a pre-IFRS 16 net cash position of €9.06 million.

Despite the use of liquidity in the nine months for current operations and to support working capital, its value, equal to €29.89 million, remains similar to that at the end of 2019 as new loans were taken out. Taking into account the uncertain scenario due to the pandemic, the Group has put in place financing in excess of the expected requirement of around €6 million. These loans will benefit from the fall in the interest rate curve and will support both internal investments, which are expected to continue over the next few quarters, and possible external investments that are expected to be completed.

Net working capital

The Group's net working capital at 30 September 2020, compared with the situation at 30 September 2019 and 31 December 2019, is as follows:

	at September 30, 2020	at December 31, 2019	at September 30, 2019	Changes
Inventories	19,442	21,256	21,866	(1,814)
Trade receivables	14,819	11,707	16,358	3,112
Income tax receivables	612	269	435	343
Other current assets	2,319	2,115	2,621	204
Current assets	37,192	35,347	41,280	1,845
Trade payables	(9,616)	(11,562)	(13,228)	1,946
Income tax liabilities	(427)	(1,182)	(158)	755
Other current liabilities	(7,559)	(7,713)	(7,170)	154
Current liabilities	(17,602)	(20,457)	(20,556)	2,855
Net working capital	19,590	14,890	20,724	4,700

Cash flows

(€'000)		at September 30, 2020	at December 31, 2019	at September 30, 2019
Cash flow generated (used) in operations	A	(1,335)	20,909	11,803
Cash flow generated (used) in investment activities	B	(3,712)	(4,307)	(2,820)
Cash flow generated (absorbed) by financial assets	C	5,049	844	2,485
Net foreign exchange difference	D	(795)	45	269
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(793)	17,491	11,737
Opening amount in cash & cash equivalents		30,687	13,196	13,196
Cash & cash equivalents at end of period		29,894	30,687	24,933

A – Eurotech Group business

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

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

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

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

B – Basis of consolidation

The companies consolidated line-by-line in the basis of consolidation at 30 September 2020 are as follows:

Company name	Registered offices	Share capital	Group share
<i>Parent company</i>			
Eurotech S.p.A.	Via Fratelli Solari, 3/A – Amaro (UD)	EUR 8,878,946	
<i>Subsidiaries consolidated line-by-line</i>			
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)	EUR 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) Officially, the Group owns 90% of the company, but as Advanet holds 10% of the share capital in the form of treasury shares, it is fully consolidated.			
<i>Affiliates consolidated at equity</i>			
Rotowi Technologies S.p.A. in liquidation (formerly U.T.R.I. S.p.A.)	Via Carlo Ghega, 15 – Trieste		21.31%
<i>Other smaller companies valued at cost</i>			
Kairos Autonomi Inc.	Sandy, UT (USA)		19.00%
Interlogica S.r.l.	Mestre (VE)		10.00%

No changes took place with regard to subsidiaries and affiliates in the period as at 30 September 2020 compared with 31 December 2019.

With reference to other companies, on 3 July 2020, Eurotech S.p.A. subscribed 10% of the share capital of Interlogica S.r.l., with registered office in Mestre (VE), for a total value of €400 thousand.

The exchange rates used to convert the financial statements of foreign companies into the Eurotech Group's reference currency (euro) are presented in the following table and correspond to those issued by the Italian Foreign Exchange Bureau:

Currency	Average 9M 2020	As of September 30, 2020	Average 2019	As of December 31, 2019	Average 9M 2019	As of September 30, 2019
British pound sterling	0.88509	0.91235	0.87777	0.85080	0.88346	0.88573
Japanese Yen	120.91083	123.76000	122.00577	121.94000	122.56963	117.59000
USA Dollar	1.12503	1.17080	1.11948	1.12340	1.12362	1.08890

C - Revenues

Revenues earned by the Group in 9M20 amount to €52.57 million (€79.70 million in 9M19), a decrease of €27.13 million (34.0%) on the same period of last year. This trend, as already explained when presenting the half-yearly data, reflects not only the reduction in turnover from a US customer already envisaged by the order collection at the end of 2019, but also and above all the effects of the developing pandemic, which has in effect almost completely put a stop to new businesses, even in cases where there was already a design win. The ongoing pandemic causes conditions of uncertainty that affect client decision-making, consequently slowing order collection, particularly for new projects or those in the start-up phase, due to the fact that clients do not have adequate visibility in terms of how the global economic situation will evolve.

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

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

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

Revenues by business region

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

	North America			Europe			Asia			Correction, reversal and elimination			Total		
	9M 2020	9M 2019	% YoY Change	9M 2020	9M 2019	% YoY Change	9M 2020	9M 2019	% YoY Change	9M 2020	9M 2019	% YoY Change	9M 2020	9M 2019	% YoY Change
Third party Sales	19,890	39,398		15,280	21,608		17,402	18,692		0	0		52,572	79,698	
Infra-sector Sales	406	593		2,236	5,673		493	1,032		(3,135)	(7,298)		0	0	
Total Sales revenues	20,296	39,991	-49.2%	17,516	27,281	-35.8%	17,895	19,724	-9.3%	(3,135)	(7,298)	57.0%	52,572	79,698	-34.0%

North American revenues amounted to €20.30 million in 9M20 and to €39.99 million in 9M19, a decrease of 49.2%, including intersegment revenues. The order book at the end of 2019 had already shown a different distribution of turnover in 2020 between the quarters compared to 2019, however these nine months suffered considerably due to the pandemic, mainly due to the delay in the collection of orders that would have counteracted the reduction in turnover on a specific customer.

In the Europe business area, too, there was a decrease in turnover, from €27.28 million in 9M19 to €17.52 million in 9M20, down by 35.8%, including intersegment revenues. Also in this area, the difficulty in translating new opportunities into tangible volumes of turnover is the main reason for the reduction in turnover. Certain projects that some customers were due to start in 2020 were postponed, just as some orders which in 2019 had been scheduled to be finished in the quarters just ended were also postponed. In spite of the current situation, medium-term trends remain positive thanks to the opportunities in the transport sector, Artificial Intelligence products linked to HPEC (High Performance Embedded Computer) technologies and the Industry 4.0 paradigm, which we expect will experience an acceleration in this moment of global and, in particular, European economic crisis.

Lastly, the Asia business area has been the least affected by the pandemic, although there has been a slight slowdown over the last few months. Turnover fell by 9.3% from €19.72 million in 9M19 to €17.89 million in 9M20. In this area, too, certain projects were delayed, but instead a number of medical sector customers offset the decrease in turnover caused by the increased uncertainties of customers operating in the industrial market. The opportunities for new joint development activities with major long-term customers, who continue to be interested in new technologies that the Group's Japanese company is able to offer, will remain important in the years to come.

Revenues by customer geographical area

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

(€' 000)	9M 2020	%	9M 2019	%	% change
BREAKDOWN BY GEOGRAPHIC AREA					
European Union	12,639	24.0%	19,454	24.4%	-35.0%
United States	19,427	37.0%	38,456	48.3%	-49.5%
Japan	17,403	33.1%	18,693	23.5%	-6.9%
Other	3,103	5.9%	3,095	3.9%	0.3%
TOTAL SALES AND SERVICE REVENUES	52,572	100.0%	79,698	100.0%	-34.0%

With reference to revenues by geographic area of the customer, shown in the table, revenues in the United States continue to have the greatest impact on the total (37.0%), confirming the US as the leading area despite a year-on-year reduction in terms of value of 49.5%.

The Japanese area continues to be the Group's second most significant area, accounting for 33.1%, and turnover compared to the first nine months of 2019 decreased by 6.9%.

In Europe, again with reference to customer location, turnover reflected a 35.0% reduction, partly explained also by the reclassification to "Other" (for 2020 only) of turnover generated in the United Kingdom, which recently exited from membership of the European Union. The EU accounted for 24.0%

of total turnover. Including the UK turnover, this value would have been 27.2%, with a decrease of 26.4% on the comparative period.

D – Costs of raw & auxiliary materials and consumables used

Costs of raw & auxiliary materials and consumables used, which relate strictly to turnover, fell from €39.65 million in 9M19 to €24.68 million in 9M20. In the period under review there was thus a variation of €14.96 million (37.7%), higher than the decrease in turnover, which was 34.0%. This shift in proportion led to a gross profit more than two and a half percentage points higher than that of 9M19, and also higher than that achieved at the end of 2019. The gross profit trend is strictly correlated to the different product mix sold in the quarters in question.

As a percentage of revenues, consumption of raw & auxiliary materials and consumables fell from 49.7% in 9M19 to 47.0% in 9M20.

E – Service costs

The decrease in the variable portion of service costs resulted in a reduction of €0.45 million (4.6%) in costs, reducing the absolute value of costs to €9.24 million. This cost item decreased as a percentage of revenues from 12.1% in 9M19 to 17.6% in 9M20.

In addition to referring to ordinary operations, the costs pertain to the investments the Group has planned to make with particular reference to the business line of the IoT platforms for applications in the industry and in services in addition to developments linked to the HPEC product line and those correlated to traditional embedded products line. These investments are aimed at supporting the research and development area to maintain a product portfolio in line with the technological innovations proposed by the producers of raw materials and components, and the sales and marketing divisions which must continue to give visibility to the existing product range, particularly in a complex time such as this, characterised by the pandemic.

F – Payroll costs

In the period under review, payroll costs increased from €15.35 million (19.3% of revenues) to €15.50 million (29.5% of revenues). At the end of the third quarter of 2020, the workforce is similar to that existing at the end of the year, but with an annual average 6 units higher than the average for 2019. In all geographical areas there is an active search for new personnel to bring to the structure the skills needed to develop and implement the Group's strategic vision and its business model.

Wages and Salaries also includes €354 thousand relating to the pro rata temporis portion of the cost of the Share Performance Plan in place (in the first nine months of 2019, the amount recorded under costs was €593 thousand).

The table below shows the number of Group employees:

EMPLOYEES	at September 30, 2020	at December 31, 2019	at September 30, 2019
Manager	9	10	10
Clerical workers	284	285	286
Line workers	24	23	19
TOTAL	317	318	315

G – Other provisions and costs

At 30 September 2020, this item included a provision for doubtful accounts of €72 thousand (€58 thousand in the first nine months of 2019), and refers to provisions made for the possibility of uncollectable trade receivables. Furthermore, at 30 September 2020, it also included a provision of €100 thousand following a tax assessment in respect of which Eurotech Spa is assessing how to defend itself. Other provisions and costs as a percentage of revenues were 1.2%, higher than the 0.7% recorded in the same period of 2019.

H – Other revenues

The item other revenues shows an increase from €1.98 million in 9M19 to €2.63 million in 9M20. Other revenues mainly comprise the capitalisation of development costs for new solutions featuring highly integrated standard modules and systems for €2.32 million (€1.84 million in 9M19) and miscellaneous income of €0.31 million (€0.14 million in 9M19).

I – Depreciation, amortisation and impairment

This item increased by €125 thousand, from €2.94 million in 9M19 to €3.07 million in 9M20. This change is due mainly to the higher amortisation of development costs that began their amortisation process.

Impairment of €60 thousand refers to the decrease in value of land and buildings, based on a recent appraisal carried out on the Caronno Varesino site.

J – Financial income and expenses

Financial expenses fell from €0.88 million in 9M19 to €0.85 million in 9M20.

Financial income, again due to exchange rates, decreased by €68 thousand, from €0.75 million in 9M19 to €0.68 million in 9M20.

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

- foreign exchange losses: €0.51 million at 30 September 2020 (1.0% as a percentage of revenues), compared with €0.47 million at 30 September 2019 (0.6% as a percentage of revenues);
- foreign exchange gains: €0.67 million at 30 September 2020 (1.3% as a percentage of revenues), compared with €0.73 million at 30 September 2019 (0.9% as a percentage of revenues);
- miscellaneous interest expenses: €248 thousand at 30 September 2020 (0.5% as a percentage of revenues), compared with €297 thousand at 30 September 2019 (0.5% as a percentage of revenues).

3rd Q 2020	3rd Q 2019		9M 2020	9M 2019	change %
		€'000			
208	251	Exchange-rate losses	512	468	9.4%
82	86	Interest expenses	248	297	-16.5%
11	18	Interest expenses on lease liabilities	34	49	-30.6%
10	7	Expenses on derivatives	23	16	43.8%
8	12	Other finance expenses	33	50	-34.0%
319	374	Financial charges	850	880	-3.4%
(23)	487	Exchange-rate gains	670	727	-7.8%
(1)	8	Interest income	4	16	-75.0%
(14)	(3)	Other finance income	4	3	33.3%
(38)	492	Financial incomes	678	746	-9.1%
(357)	118	Net financial income	(172)	(134)	28.4%
-2.2%	0.4%	% impact on sales	-0.2%	-0.2%	

K – Income taxes

Income taxes at 30 September 2020 were negative for €0.96 million (of which €717 thousand for current taxes and €242 thousand for net deferred tax liabilities), compared with a negative impact of €1.19 million at 30 September 2019 (of which €862 thousand for current taxes, €293 thousand for net deferred tax liabilities and €34 thousand for tax charges for previous years), representing a positive change of €231 thousand.

L – Non-current assets

The decrease in non-current assets between 31 December 2019 and 30 September 2020 of €914 thousand is due mainly to the reduction in property, plant and equipment and intangible assets for a total of €1.15 million due to changes in exchange rates and the increase in the value of equity investments in other companies due to the share capital increase carried out in Interlogica S.r.l. to hold a 10% share for which the total expenditure was €400 thousand.

Net investments of approximately €4.06 million in property, plant and equipment and intangible assets are offset by depreciation and amortisation for €3.07 million.

The most significant increases are related to intangible assets and are largely linked to projects to develop new products for a total of €2.25 million and to the costs incurred to implement the Group's new ERP system for €694 thousand.

a – Intangible assets

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

(€ '000)	DEVELOPMENT COSTS	GOODWILL	SOFTWARE TRADEMARKS PATENTS	ASSETS UNDER CONSTRUCTI ON & ADVANCES	TOTAL INTANGIBLE ASSETS
OPENING BALANCE (A)	3,690	72,980	9,005	3,230	88,905
<i>Changes as at September 30, 2020</i>					
- Purchases	31	-	433	2,482	2,946
- Amortisation and impairment in period (-)	(1,279)	-	(302)	-	(1,581)
- Other changes	1,370	(1,900)	338	(1,943)	(2,135)
Total changes (B)	122	(1,900)	469	539	(770)
CLOSING BALANCE (A+B)	3,812	71,080	9,474	3,769	88,135

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

(€ '000)	at September 30, 2020		at December 31, 2019	
Cash generating units	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Inc.	45,061	8,557	45,733	8,684
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	20,957	-	21,838	-
Eurotech Ltd. (ex Arcom Ltd.)	4,786	-	5,133	-
Eurotech France S.a.s.	186	-	186	-
Other	90	-	90	-
TOTAL	71,080	8,557	72,980	8,684

b – Property, plant and equipment

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

(€ '000)	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTI ON & ADVANCES	RIGHT OF USE ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
OPENING BALANCE (A)	1,048	244	392	833	35	4,013	6,565
<i>Changes as at September 30, 2020</i>							
- Purchases	670	35	104	150	-	160	1,119
- Disposals	-	-	-	-	-	-	-
- Amortisation and impairment in period (-)	(95)	(44)	(126)	(180)	-	(1,041)	(1,486)
- Other changes	491	(1)	(3)	(7)	(32)	(460)	(12)
Total changes (B)	1,066	(10)	(25)	(37)	(32)	(1,341)	(379)
CLOSING BALANCE (A+B)	2,114	234	367	796	3	2,672	6,186

M – Net working capital

Net working capital rose by €4.70 million, from €14.89 million at 31 December 2019 to €19.59 million at 30 September 2020. This is due to the different pattern in payment and invoicing/collection flows, in particular related to the fact that a significant portion of the turnover for the quarter was generated in September. In addition, the performance observed is linked to the reduction in inventories, offset by the increase in trade receivables, the reduction in the balance of trade payables and the increase in the net balance for taxes.

The positive change of €1.84 million in current assets was mainly due to the increase in trade receivables for €3.11 million, income tax receivables for €0.34 million and the reduction in warehouse inventory for €1.81 million.

On the other hand, current liabilities decreased as a result of a reduction in trade payables for €1.95 million and a reduction in income tax payables for €0.76 million.

N – Net financial position

The consolidated net financial position at 30 September 2020 amounted to net cash of €6.36 million, compared to a net financial position with net cash of €12.25 million at 31 December 2019. The application of the IFRS 16 accounting standard, adopted by the company from 1 January 2019, entailed the recognition by Group companies of financial liabilities for rights of use at 30 September 2020 equal to €2.67 million that, added to the net financial position, resulted in a post-IFRS 16 net cash position of €9.06 million.

With regard to liquidity, which totalled €29.89 million, the change is due to the net effect deriving on the one hand from the liquidity used during the nine months for current management and for disbursements relating to investments made to support the various business areas, and on the other hand from liquidity obtained after new loans were opened, net of payments of loan instalments falling due.

See also Cash flow on page 19.

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

Short-term financial liabilities mainly consist of current account overdrafts, the current portion of mortgage loans, and payables to other lenders falling due by 30 September 2021.

O – Changes in equity

The share capital at 30 September 2020 was made up of 35,515,784 ordinary shares, fully subscribed and paid up, with no nominal value.

The balance of the Issuer's legal reserve at 30 September 2020 amounted to €1.78 million.

The share premium reserve, which relates entirely to the Parent Company, is shown at a total amount of €136.4 million.

The positive translation reserve of €12.79 million was generated by inclusion in the interim management statement of the statements of financial position and income statements of US subsidiaries Eurotech Inc. and E-Tech USA Inc., UK subsidiary Eurotech Ltd. and Japanese subsidiary Advanet Inc.

The item "other reserves" was negative for €39.52 million and consisted of the Parent Company's extraordinary reserve, formed by losses carried forward, allocations of retained earnings from prior years and other miscellaneous reserves. The change in the year is attributable to the allocation of the 2019 results and to the booking of Eurotech's Performance Share Plan for the period described in a specific section of the 2019 Consolidated Financial Statements.

The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IAS 39, was negative for €78 thousand and decreased by €34 thousand gross of the tax effect, which was not recognised due to absence of the relative prerequisites.

The foreign exchange reserve in which – based on IAS 21 – foreign exchange differences relating to intragroup foreign-currency loans that constitute part of a net investment in a foreign shareholding are recognised, was positive by €2.74 thousand and decreased by €1.91 million gross of the related tax effect; again it was not recorded due to the absence of the prerequisites.

The Parent Company Eurotech S.p.A. held 349,520 treasury shares at the end of the reporting period (440,020 at 31 December 2019).

P – Significant events in the quarter

The main events during the quarter were announced through the press releases listed below (the full text is available on the Group's website www.eurotech.com on [the page www.eurotech.com/it/news](http://the.page.www.eurotech.com/it/news) .

29/07/2020 Updates on the impacts of the pandemic on the Group's business

10/09/2020 Eurotech among the leaders of Industrial IoT in the SPARK Matrix™ 2020 analysis conducted by Quadrant knowledge

16/09/2020 Eurotech again among the "Best in Class" in market research on open-source based IoT platforms carried out by PAC

17/09/2020 Eurotech supports Allianz Pallacanestro Trieste for the next two LBA championships, making access to the Allianz Dome easier

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

Q – Events after the reporting period

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

14/10/2020 it Eurotech becomes part of the NVIDIA Partner Network as Preferred OEM Partner

15/10/2020 Eurotech announces CPU-161-19, a COM Express module with Intel Atom x6000 Series

15/10/2020 Eurotech announces the CPU-161-20 module, SIL-2 certified with Intel Atom x6000 Series

04/11/2020 Eurotech joins Arm's Cassini Project with its hardware and software components and its ten-year experience in Edge computing

R – Risks and uncertainties

Please refer to the paragraphs “Main risks and uncertainties to which the Group is exposed” and “Financial risk management: objectives and criteria” in the 2019 Consolidated Financial Statements, in which the risks to which the Eurotech Group is subject are explained.

S – Other information

We also specify that:

- group intercompany transactions take place at market prices and are eliminated during the consolidation process;
- group companies' related-party transactions form part of the normal course of business and are settled under arm's length conditions;
- pursuant to CONSOB communication no. 15519/2005, there were no non-recurring economic components in the consolidated quarterly results as at 30 September 2020;
- pursuant to CONSOB communication no. DEM/6064296 of 28 July 2006, there were no atypical and/or unusual transactions carried out in 2020;
- at 30 September 2020 the company held 349,520 treasury shares for a total value of €821 thousand. The changes were as follows:

	No. of shares	Face value of a share (Thousand of Euro)	% share capital	Carrying value (Thousand of Euro)	Average unit value
Status as at 1 January 2020	440,020	110	1.24%	1,033	2.35
Purchases	-	-	0.00%	-	
Sales	-	-	0.00%	-	
Assignment-Performance share Plan	(90,500)	(23)	-0.25%	(212)	2.35
Status as at 30 September 2020	349,520	87	0.98%	821	2.35

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

Amaro, 13 November 2020

On behalf of the Board of Directors

Signed Roberto Siagri
Chief Executive Officer

Declaration of the Financial Reporting Manager

Amaro, 13 November 2020

DECLARATION

PURSUANT TO ART. 154 *BIS*, PARAGRAPH 2 – PART IV, TITLE III, CHAPTER II, SECTION V-BIS OF ITALIAN LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998: “SINGLE DOCUMENT OF FINANCIAL BROKERAGE PROVISIONS, PURSUANT TO ARTICLES 8 AND 21 OF ITALIAN LAW NO. 52 OF 6 FEBRUARY 1996”

I, Sandro Barazza,

Financial Reporting Manager of Eurotech S.p.A., with reference to the Consolidated Interim Management Statement at 30 September 2020 approved by the company's Board of Directors on 13 November 2020,

STATE

in compliance with the matters set forth under art. 154 *bis*, paragraph 2, part IV, title III, chapter II, section V-*bis* of Italian Legislative Decree no. 58 of 24 February 1998, that, to the best of my knowledge, the Consolidated Interim Management Statement at 30 September 2020 corresponds to the accounting entries.

The Financial Reporting Manager
Signed Sandro Barazza

