

Annual Report 2020

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

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EUROTECH S.p.A.
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Letter to shareholders

Dear Shareholders,

2020 began with a surge of uncertainty on the economic front due to the Covid-19-related pandemic outbreak. Unfortunately, everything we hoped would not happen eventually materialized, including a second wave in the fall that nipped in the bud the world economy's first attempt at rearing its head. Because of the events that bedeviled 2020, it was for Eurotech a forced sabbatical from the growth that had characterized 2018 and 2019.

Even in this crisis, the fables model adopted and therefore the possibility of having a lot of operating leverage has helped us to be agile and lean and to close the financial statements without losses. All in all, it is a positive result that allows us to start 2021 with a sound financial situation.

In late 2019, prior to the pandemic outbreak, we expected to maintain an acceleration in IoT business growth well into 2020, with more and more customers expected to move from the POC (Proof Of Concept) or pilot deployment phase to the mass production phase, which would benefit revenue and margin growth in this line of business. This prediction has unfortunately been profoundly changed by the economic crisis triggered by the healthcare crisis: the pandemic has forced companies to rapidly change tactics, with short term budget shifts to items such as Cloud and Mobile functional to the activation of smart working and working from home. In other words, budgets have been taken away from the digitalization of machines and assets and have been used for the digitalization of people's work.

Revenue pertaining to the Internet of Things (IoT) business in 2020, however, has demonstrated much more resilience than the traditional embedded computer business, remaining roughly constant compared to 2019; however, the potential of the design-wins achieved in past years has not been expressed and remains to be expressed.

Our competitive positioning remains strong, and this is also supported by the confirmation of our presence in Gartner's 2020 Magic Quadrant for IoT platforms. Being there means we've been able to demonstrate that we have customers using our IoT technologies, willing to be a reference for us, and this is an important element to look forward to the challenges of the near future. There aren't many of us in the Magic Quadrant for IoT platforms, and we can draw two conclusions from that: first, many people talk about IoT but few have real customers and real applications; second, there are still few companies that are truly on the path to digitizing all things.

In this historical phase where most of the industrial IoT market is about projects connecting existing machinery and assets (in jargon brownfield), our hybrid positioning between the real world of machinery and assets (Operational Technology) and the IT world where data is managed and translated into information and knowledge (Information Technology), our integrated hardware and software offering gives us a leg up over players offering only hardware or only software.

The attention paid to cybersecurity issues in the development of our technological components for the IoT is one of the added values of our offer that is highly appreciated by the market, and that positions us among the most advanced and innovative companies in addressing cybersecurity issues in the real world of connected assets, i.e. at the Edge.

To keep Eurotech among the leaders in the technologies we oversee, we made investments in 2020 as well, focusing on the Edge Computing paradigm and postponing or minimizing all other investments that were not essential for implementing our strategy.

Edge Computing was born from the convergence of Operational Technology (OT) and Information Technology (IT) and is the natural evolution of embedded computers, driven by the pervasive availability of Internet connectivity, the demand for cybersecurity typical of always-on devices and the paradigm of distributing intelligence on multiple levels, both at the center and at the periphery.

Edge Computing enables field systems to process data close to its source: this reduces latency issues in communications between the periphery and the data center, lowers data transmission costs and introduces redundancy in connected systems, thus ensuring the reliability and fault tolerance needed in industrial-grade applications. It is no coincidence that ARM recently activated the Cassini Project, which we have joined with commitment, with the aim of fully leveraging innovation at the Edge and accelerating the development of optimized Edge Computing platforms. In particular, the program with ARM will allow us to bring out even more, in the industrial field, the security features of our IoT Gateways and our IoT Edge framework ESF.

Within the Edge Computing strand comes the activation of the partnership with NVIDIA, which will allow us privileged access to leading-edge technologies in the field of accelerators (GPUs) for Artificial Intelligence (AI), thanks to which we will be able to bring to market high-performance and reliable edge computers for industrial, railway, automotive and 5G infrastructure applications.

The partnerships with ARM and NVIDIA are elements of a broader strategy: in this new era, the winner is the one who finds a way to collaborate, not the one who isolates himself, that's why we have invested heavily in a logic of open innovation that by definition is ecosystemic.

In order to become more and more technology and market leaders in the digital transformation underway, we continue to expand our ecosystem of both technology partners and system integrators.

Eurotech's entire portfolio of technological components for Industry 4.0 has been designed to be modular precisely 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 a catalyst for the ecosystem approach. We have thus moved from competition to cooptation, with greater benefits for all.

During 2020, we forged important relationships: we were chosen as a founding partner of the IBM Edge Ecosystem, our Everyware Software Framework (ESF) received AWS IoT Core certification from Amazon, we integrated our Edge technologies with Orange's IoT platform, and – as I mentioned earlier when talking about Edge Computing – we joined ARM's Cassini Project and we became NVIDIA's Preferred OEM Partner.

The 2020 Global Competitive Strategy Leadership Award earned in February this year by Frost & Sullivan is the best recognition for all the work done in building an ecosystem for IT and OT integration. In fact, Dilip Sarangan, Sr. Director of Research, IoT, and Digital Transformation at Frost & Sullivan, said: "its ability to continue expanding its ecosystem, compete effectively with significantly larger competitors, and capture emerging growth opportunities sets it apart from competitors in the IoT market."

Beyond what the financial results may show, in 2020 we continued to make progress in the implementation of the strategy, in order to be able to best seize the opportunities that the inevitable Fourth Industrial Revolution, based on digital transformation, will bring as soon as the pandemic lets up.

Digitization will be unavoidable, because it not only enables more efficient and less wasteful processes to be put in place but is also the basis for the transformation of companies' production 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. Digitization enables business model change and business model change automatically leads into circular economy.

Moreover, the digitalization of all things requires IoT, and the data produced by IoT feeds Artificial Intelligence. Certainly, Eurotech today has the right hardware and software technologies to meet the demand for digitization of assets that the industrial market will require in the coming years to enable new industrial models, not based on the transfer of ownership of goods but on the provision of services or on the use, in which producer and consumer find a common advantage in the reduction of waste.

The digital revolution can transform this economic crisis into a sort of post-war renaissance, a New Deal focused on creating a new paradigm of economic progress, one that allows us to move from a limit on growth to virtually limitless growth.

At the time I am writing this letter, visibility on the medium-term trend of our business is still low. In February we recorded some first signs of improvement in the order intake in the United States, but it is

still early to be able to talk about trends and the coming months will be crucial to have the confirmations we all hope for.

With cash and cash equivalents of around €41 million, we continue to consider growth through external lines, in particular with the aim of facilitating business development in geographical areas where our IoT and HPEC technologies are proving very successful.

To conclude, 2020 was a race with the safety car on the track, but the competitive potential of the Eurotech machine remains unchanged and our desire to express it is even stronger than before. In the year just ended we have been able to resist while continuing to invest in the future, now it's time to start growing again.

16 March 2021

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 and sales across 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 that are easily connected together and to the “cloud” through the new Internet of Things (IoT) paradigm.



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 smart 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);
- software for the cloud integration of base components, sub-systems and devices: Everyware Software Framework (ESF) on the Operational Technology (OT) side and the Everyware Cloud integration platform on the Information Technology (IT) side;
- solution design and product personalisation services in order to simplify their integration with customer products.

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

- 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, in addition to the open-source community for the software, 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.

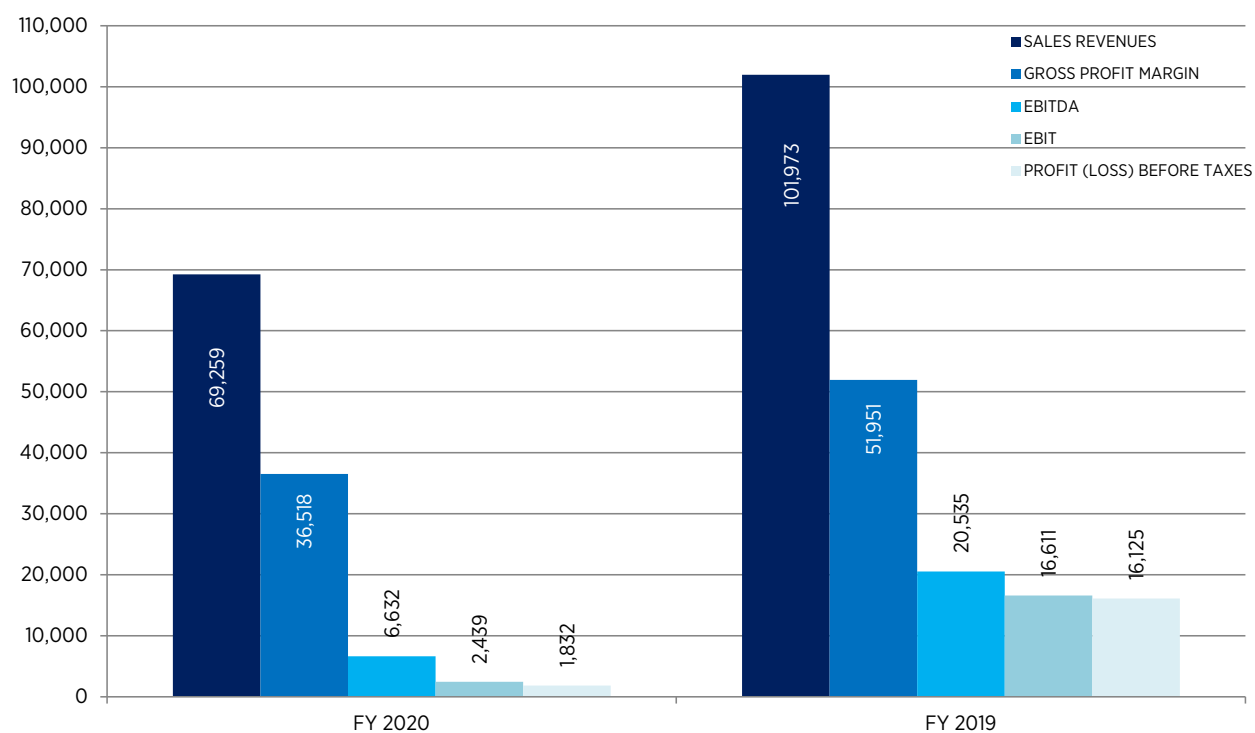
The Eurotech Group in figures

Introduction

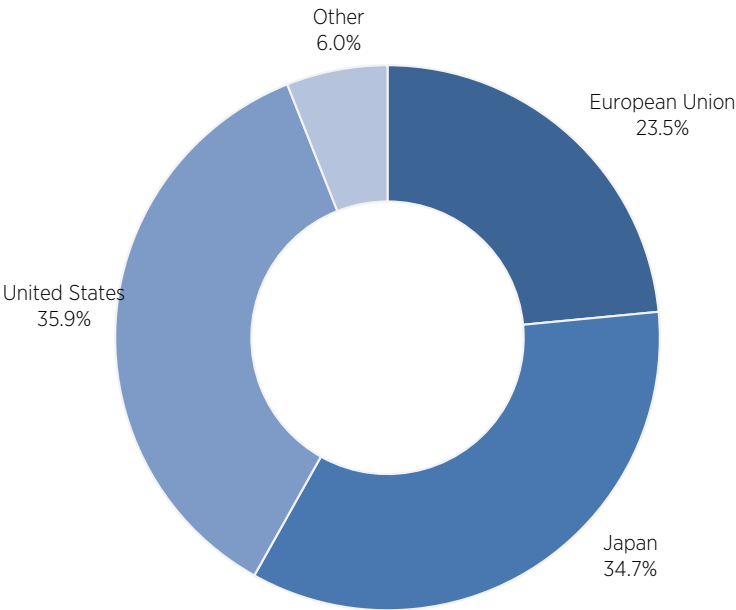
The Eurotech Group's business and financial results for FY2020 and comparative periods have been drawn up according to the International Accounting and Financial Reporting Standards (IASs/IFRSs) issued by the International Accounting Standards Board and endorsed by the European Union. Unless otherwise stated, data are expressed in thousands of euro.

Group business and financial results

(€'000)	FY 2020	%	FY 2019	%	FY 2018	%	% change
OPERATING RESULTS							
SALES REVENUES	69,259	100.0%	101,973	100.0%	79,083	100.0%	-32.1%
GROSS PROFIT MARGIN	36,518	52.7%	51,951	50.9%	37,556	47.5%	-29.7%
EBITDA	6,632	9.6%	20,535	20.1%	8,128	10.3%	-67.7%
EBIT	2,439	3.5%	16,611	16.3%	5,844	7.4%	-85.3%
PROFIT (LOSS) BEFORE TAXES	1,832	2.6%	16,125	15.8%	5,624	7.1%	-88.6%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	132	0.2%	19,242	18.9%	5,682	7.2%	-99.3%



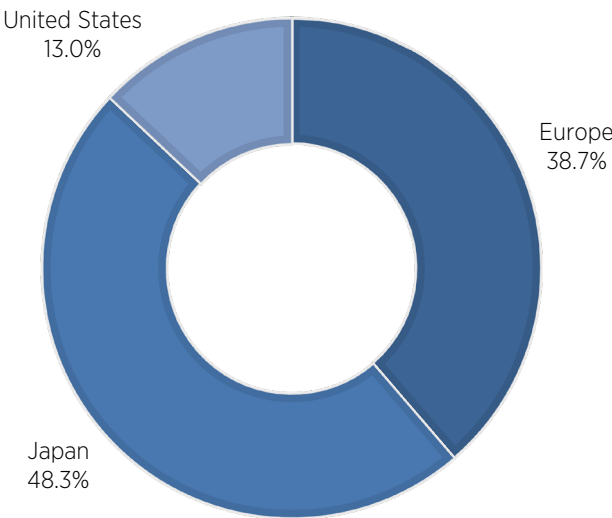
2020 sales revenues by customers' geographical location



Group employees

	at December 31, 2020	at December 31, 2019	at December 31, 2018	at December 31, 2017
EMPLOYEES	323	318	302	294

2020 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" without a "machinery factory" 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.).
- 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 the acquisition of Applied Data Systems, Inc. ("ADS"), a company 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 acquires 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 provides for a put & call mechanism for the remaining 35% of the shares of Advanet that will be exercised in two phases in 2010 and 2011.

2008-2010: Integration and synergies

- 2008** Launch of the innovative Catalyst module, which uses a form factor designed by Eurotech to make the most of 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 launches Aurora, the world's first fully liquid-cooled supercomputer, at the International Supercomputing Conference held in Hamburg from 23 to 25 June.
Eurotech joins the Global Compact, the United Nations initiative created to encourage companies from all over the world to adopt sustainable policies in compliance with corporate social responsibility.

- 2010** Eurotech exercises the scheduled option to purchase another 25% of the Advanet Inc. capital and thus has 90% of the Japanese subsidiary.

2011-today: towards the Internet of Things

- 2011** The ESF (Everyware™ Software Framework) platform by Eurotech is used in the reference designs for Machine-to-Machine (M2M) gateways based on Intel® Atom™ processor 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.

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.
- 2013** 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. This is the highest supplier classification level.

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 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.

2016 Red Hat, Inc. and Eurotech announce a collaboration to simplify IoT integration and accelerate implementations of IoT projects. Red Hat and Eurotech combine 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 signs 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 studying the remote connection of 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 June, the Company joined Dell IoT Solutions Partner Program as Associate Partner.

Red Hat and Eurotech announce 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 source 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 signs 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 is 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 signs 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 adds 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, chooses 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 centres by bringing VMware's ESXi/vSphere software on board its BoltCOR edge servers. Mimi Spier, VP Internet of Things of VMware has declared: "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 centre 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 Everywhere 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 Everywhere 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 specialise in the design and manufacture of rugged COTS-based boards and systems for use in defence and aerospace applications. As a Qualified Small Business supplier of systems and engineering services to the defence 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 stated: "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 (teknology 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.

2020 Frost & Sullivan, based on its recent analysis of the global market of Internet of Things (IoT) platforms, awards Eurotech with the Global Growth, Innovation and Leadership 2019 award for [the Integration Platform, IoT](#) Everyware Cloud (EC), by Eurotech.

Eurotech announces that it is one of the Select Technology Partners in the Amazon Web Services (AWS) Partner Network (APN), with an offer of IoT Edge Gateways that support AWS services. In this way, customers can implement IoT solutions more quickly with the ReliaGATE 10-12, an AWS certified device, pre-tested and validated, to connect to AWS IoT Core services, and included in the catalogue of AWS partner devices.

A new family of modular IoT Edge Gateways is announced. The new [BoltGATE 20-31](#) provides a modular solution, i.e. with a main CPU module and a series of expansion modules, to meet the challenges of next-generation applications in the [transport sector](#), combining hardware and software components for Edge computing and connectivity to the Cloud.

Eurotech presents the [DynaCOR 40-35](#), a high performance data logger for Edge computing applications to meet the use case requirements in the transport, defence and industrial sectors. The product is designed to support sensor fusion in high-intensity applications that involve the transfer of large amounts of high-speed data, such as those coming from sensors such as video cameras, RADARs, LIDARs, etc.

Eurotech announces its participation in the IBM Edge Ecosystem. The new network of IBM solutions, based on Red Hat technologies, provides an open platform to combine a global ecosystem of partners who collaborate in the development of applications for edge computing. The IBM Edge Application Manager platform makes it possible to remotely manage artificial intelligence, analytics and Internet of Things (IoT) applications in real time and on a global scale, and can now be implemented on Eurotech devices.

Eurotech strengthens its commitment as a Select Technology Partner within the Amazon Web Services (AWS) Partner Network announcing that [Everyware Software Framework \(ESF\)](#) has obtained the AWS IoT Core certification. ESF allows devices to be connected to AWS IoT Core services through the development of IoT applications in the field. This certification represents the basis for simplifying the development and implementation of Eurotech’s IoT solutions on AWS.

Eurotech is among the leaders of Industrial IoT in the SPARK Matrix™ 2020 analysis conducted by Quadrant knowledge Solutions. Based on the position of Eurotech and sixteen other companies, the analysis has assessed the product portfolio, strategies, technologies, market presence and value proposition.

Eurotech joins the NVIDIA Partner Network as Preferred OEM Partner that will allow the integration of NVIDIA GPU solutions on High Performance Edge Computers (HPEC) and embedded product lines, thus guaranteeing very high computing capacity and power to the end user.

Eurotech joins Arm's Cassini Project with its hardware and software components and its ten-year experience in edge computing, bringing the benefits of technologies that are completely tested and edge certified.

Eurotech and CAME together in the remote management of smart devices

Eurotech and Lynx Software Technologies announce a technology partnership to offer platforms that include hardware, software and Functional Safety services.

The partnership between Eurotech and Lynx Software Technologies brings together state-of-the-art hardware and software components and services to create a complete range of components for System Integrators.

A collaboration with Orange begins to enable and simplify the adoption of IoT solutions from the Edge to the Cloud. Eurotech's Edge computing expertise, combined with Orange's IoT platform, will enable end-to-end management of IoT devices and data for industrial automation, transport, energy management and other applications.

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.

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.

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.

"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)

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

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, PMC, COM-HPC), 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 to 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 mission 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.

Schede e moduli di calcolo e Sistemi di calcolo e comunicazione anche ad altissime prestazioni (HPEC)



Piattaforma IoT di Integrazione



Sensori intelligenti, Gateway IoT e Edge computer



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

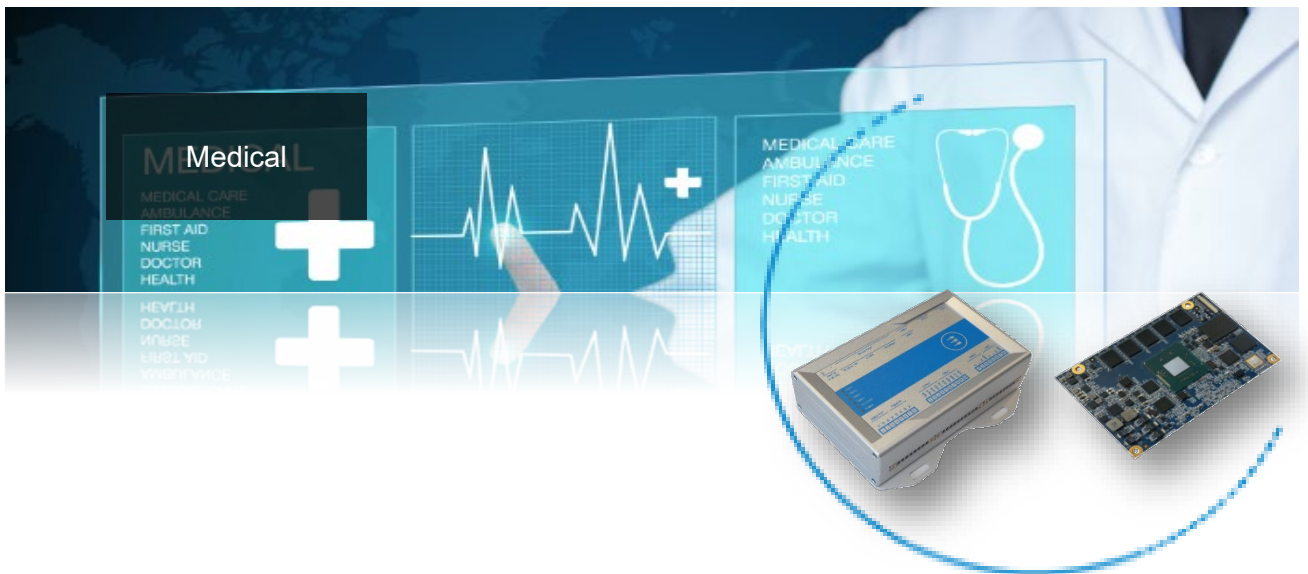
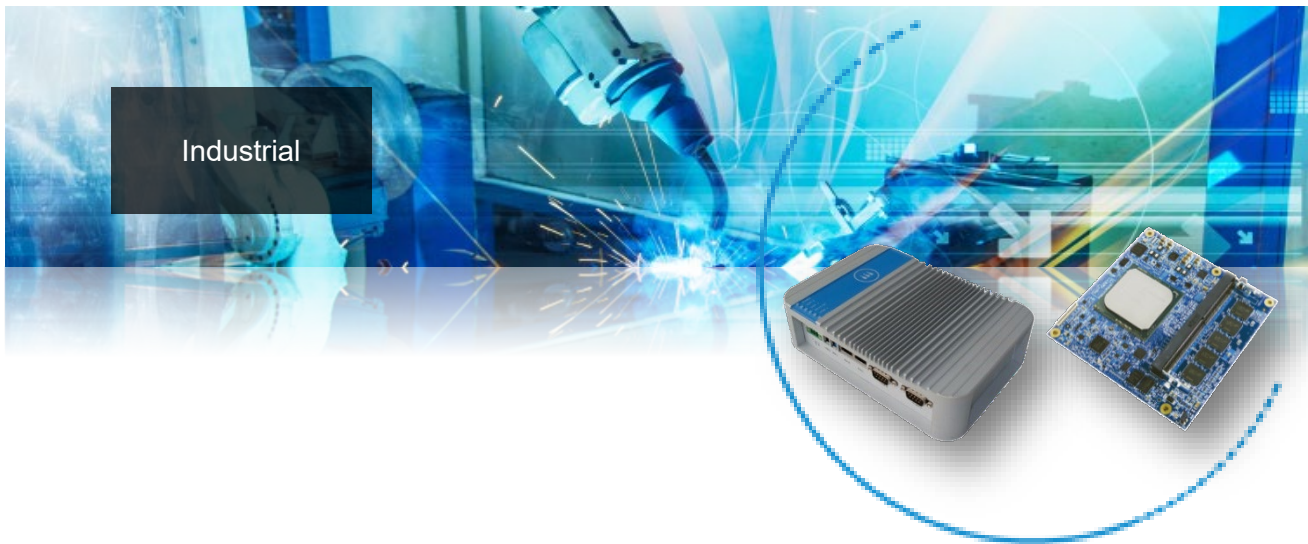
Besides these functional requirements, our Customers also seek in Eurotech a centre of technological competence. They want to reduce their time-to-market and their total cost of ownership and focus on their core businesses. They often need solutions for mission-critical applications, supply of which 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:





Corporate information

Board of Directors

Chairman	Patrizio Mapelli
Deputy Chairman	Aldo Fumagalli ¹
Director	Roberto Siagri
Director	Marco Costaguta ¹
Director	Susanna Curti ¹⁵
Director	Maria Grazia Filippini ^{1 2 3 4 5}
Director	Antongiulio Marti ¹³
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 S.p.A.

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

Corporate name and registered offices of the Parent Company

Eurotech S.p.A.
Via Fratelli Solari 3/A
33020 Amaro (UD), Italy
Udine Companies Register
number 01791330309

¹ Non-executive Directors.

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

³ Member of the Control and Risks Committee

⁴ Member of the Committee for transactions with related parties

⁵ Member of the Remuneration and Appointments Committee

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 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	290,520
Stock market capitalisation (based on the share's average price in December 2020)	€185 million
Stock market capitalisation (based on the share's relevant price at 31 December 2020)	€183 million

Performance of Eurotech S.p.A. shares

Relative performance EUROTECH S.p.A.
01.01.2020 – 31.12.2020

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



Management report

Introduction

The Eurotech Group's business and financial results for FY2020 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.

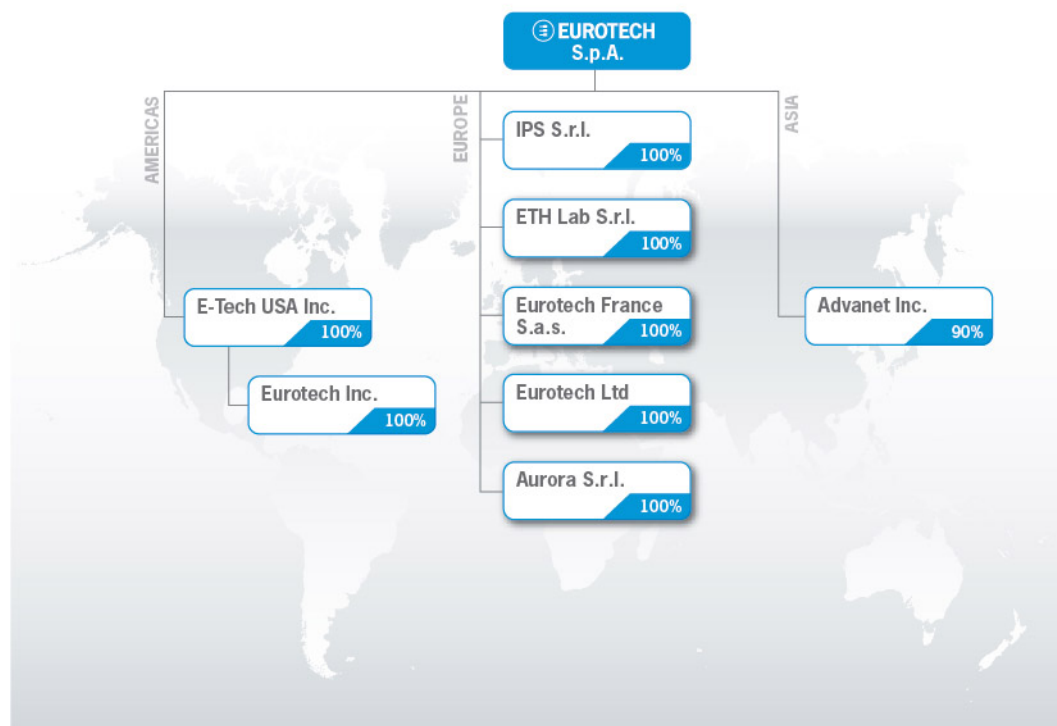
The Eurotech Group

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 2020, the Eurotech Group consisted of the following companies:

Company name	Business activity	Share capital	Group share
<i>Parent company</i>			
Eurotech S.p.A.	Operates in the NanoPC segment focusing on the High Performance Embedded Computer market and "IoT" technology, predominantly in the Italian and EMEA markets. In terms of organisation, it performs the role of industrial holding coordinating all subsidiaries of the Eurotech Group.	Euro 8,878,946	
<i>Subsidiaries and companies consolidated on a line-by-line basis</i>			
Aurora S.r.l.	Engineering company that mainly operates in the High Performance Embedded Computer market	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.	Company that provides services and performs research and development on behalf of the Group	Euro 115,000	100.00%
Eurotech France S.A.S.	Operates in the French market, focusing on the IoT market in particular	Euro 795,522	100.00%
Eurotech Inc.	Operates in the US market in the NanoPC segment with a focus on the industrial, medical, defence and transport sectors	USD 26,500,000	100.00%
Eurotech Ltd.	Operates mainly in the United Kingdom and in Northern Europe	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.



Covid-19 Update

The international situation has changed completely during 2020 with the spread of the Covid-19 pandemic which has determined an unfavorable global picture affecting the whole year. After the initial phase in the first months of the year determined by the lockdowns in several countries, and a partial recovery of economic activities during the summer, the last months of the year due to the new acceleration of the pandemic has forced to restore closures and generalized measures to contain the infections.

The health emergency is in fact continuing to have a significant impact not only on the world economy but also in social and human terms and the persistence of the crisis context is plausible to continue throughout the first half of 2021 causing great uncertainty also on the outlook for 2021. In fact, it is foreseeable to expect a recovery only after the middle of 2021 if, in general, the vaccination campaign succeeds in bringing down the health emergency and restarting the economy and consumption.

People's lifestyles and the way they interact have changed radically, generating uncertainty and a slowdown in the decisions of companies and international groups; all this has certainly penalized the Group. Reversing the trend by allowing people to travel and meet each other again only seems possible at the moment following a strong increase in the vaccination campaign worldwide.

During the year the Group promptly put in place all the protocols and measures necessary to protect the health and safety of its employees and collaborators, reinforcing health and safety protocols and encouraging remote working as much as possible. With reference to the costs that the Group had to incur in order to deal with the pandemic, such as, for example, sanitization costs, adjustments to spaces in order to guarantee the safety of workers and preventive healthcare expenses or the supply of PPE to employees on the basis of local regulations, they were quantified in an amount not exceeding 150 thousand euros.

Management continues to regularly monitor the impact of the Covid-19 pandemic on the business and the recovery of interactions in customer relations and, more generally, the performance of the world economy. Forecasts remain difficult to identify and are linked to the time required to overcome the health emergency, but the Group is continuing to carry out actions mainly aimed at pursuing economic, equity and financial solidity while waiting for a recovery in demand and paying particular attention to operating costs without giving up on innovation and development of its products.

Operating performance

(€'000)		FY 2020	%	FY 2019	%	% change
OPERATING RESULTS						
SALES REVENUES		69,259	100.0%	101,973	100.0%	-32.1%
GROSS PROFIT MARGIN	(*)	36,518	52.7%	51,951	50.9%	-29.7%
EBITDA	(**)	6,632	9.6%	20,535	20.1%	-67.7%
EBIT	(***)	2,439	3.5%	16,611	16.3%	-85.3%
PROFIT (LOSS) BEFORE TAXES		1,832	2.6%	16,125	15.8%	-88.6%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		132	0.2%	19,242	18.9%	-99.3%

(*) 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 taxes for the year (EBITDA).

(***) Result (EBIT) before valuation of equity investments in affiliates using the equity method, financial income and charges and income taxes for the year.

At the beginning of last year, almost no one could have imagined that 2020 could have such a decisive impact on different aspects of people's lives, on social dynamics, on the global economy and on the way of doing business between organisations. As far as we are concerned, after a record year like 2019, in which the Eurotech Group had exceeded the threshold of €100 million in turnover, 2020 was definitely marked by the impacts of the pandemic on the real economy and in particular on investments of companies in new projects and new products. Our presence mainly in the industrial and transport markets, and only partially in the medical market, led to greater exposure to the economic effects of the health crisis. The COVID-19 pandemic led to a sharp contraction in order collection for us, compared to what was expected at the end of 2019, as it actually froze the investment decisions of customers with whom we already had design-wins. In some cases, the pandemic forced companies to make rapid changes in tactics, with an immediate shift of the budget to items of expenditure considered more defensive. In addition, the long-standing customers with whom we have existing supplies have extended the time for issuing orders and reduced the coverage period to the minimum necessary.

In this global scenario, 2020 recorded turnover at Group level of €69.26 million, compared to €101.97 million in 2019. At constant exchange rates, and therefore neutralising the effect of the different currency conversion ratios in the two periods, turnover would amount to €69.78 million with a 31.6% decrease in sales. The performance YoY of the GBP/Euro and USD/Euro exchange rate upon translation of the financial statements (in terms of average annual exchange rates), has in fact negatively impacted the figures by 2.0% and 1.4% respectively, whereas the Yen/Euro exchange rate remained substantially stable.

In 2020, all geographical areas suffered a reduction in turnover, for reasons directly or indirectly attributable to the pandemic. With reference to the breakdown of turnover by location of operating activities, sales decreased by 46.9% in the American area compared to the same period the previous year; the Japanese area limited its decrease to 10.3% and finally in Europe the decrease was 27.5%.

In the US area, already at the end of 2019, there was an order portfolio with a distribution of turnover, for the quarters of 2020, different from the previous year. The delay in orders from new customers, which currently persists due to the pandemic, has not made it possible to replace the reduction in turnover in particular as regards a US customer. The uncertainty of the economic scenario generated by the health crisis and in part also by the presidential elections has almost totally frozen the transformation of existing design-win into order flows, with orders collected far below the pre-pandemic potential, particularly in the sectors to which the US company is most exposed, namely the industrial and transport sectors.

However, this area remains the most important area of the Group and is the one with a fastest trend of return to the growth, as soon as investments in new products and in the digital transformation of machines and industrial assets restarts.

The difficulties encountered in 2020 did not allow the turnover of the IoT area to grow: if, on the one hand, it did not increase, on the other hand, it did not suffer the significant drop recorded in the embedded board and system business lines. It is comforting to note that the interest that the IoT technology arouses among our customers remains high, but they need time to fully adopt the new technologies and change their business models.

The Japanese area was the most resilient in terms of turnover and the one that benefited most from the activities carried out in the previous year, when it was possible to sell products with higher margins. The customer base is still made up of important local companies that find in Advanet a highly specialised development centre for electronic subsystems. A major effort is 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 or the line of High Performance Edge Computers. These are the areas that customers are interested in and where they analyse the products offered seeking to understand the potential of our solutions based on their needs. The Japanese market continues to be an important target market given the importance of established companies and their relevance, not only locally but also globally.

The European area was strongly influenced by the various lock-downs that took place during 2020 and by the cancellation of some projects by customers and on which work was carried out throughout the first half of 2020. Although the area is very receptive and interested not only in specific products for the transport sector, but also in high-value products such as embedded systems with high computing capacity (HPEC) for the new sectors of Deep Learning and Artificial Intelligence, the uncertainty deriving from the pandemic has slowed down the start of some projects on which work was carried out at the beginning of 2020 in the hope of a rapid activation, which unfortunately did not occur. The interest in the IoT product offering remains high: customers who have tested our solutions have begun to involve other divisions of the industrial groups to which they belong in the testing of the solutions proposed by Eurotech, but volumes are still lower than expected.

The new lines of products – 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 customers belonging to the Global 2000. Thanks to the IoT services provided automatically by the SW platforms, we expect that this type of customer will also allow us to generate significant recurring revenues in the future.

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.

Several analysts continue to position Eurotech among the market leaders thanks to its portfolio of technologies for industrial IoT. 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 by Eurotech 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 positioning in the IoT world, the pandemic has heavily delayed the implementation phase of projects by the customers, after internal testing. The activation of tangible projects with big international customers, in various vertical sectors, could 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 adopted by the customers.

The gross profit margin for the year amounted to €36.52 million, or 52.7% of turnover, up on the figure of 50.9% last year, and higher than plan forecasts. The growth in gross profit compared to the performance obtained in previous periods is decidedly positive and is above the reference threshold defined by management. The gross profit margin is an important index to be monitored in order to achieve the desired profitability and to activate the operating leverage in consideration of the level of costs. Furthermore, gross profit margin highlights how the mix of products sold is aligned with the company's strategy and demonstrates how the innovation of our products is recognised by our customers. 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 time. It also shows how the Group filters the opportunities that can be seized by favouring those with higher margins and in line with the strategy outlined.

Purchasing activities remains focused on the efficient management of production and stock, even more so in these crisis time, continuously attempting to reduce both purchasing costs and production times to make the product available based on the needs and the requirements of the customer.

The operating costs before adjustments for internal increases amounted to €33.75 million (48.7% as a percentage of revenues), with a decrease of 3.6% compared to the €35.00 million (34.3% as a percentage of revenues) in 2019. At constant exchange rates, the decrease would have been 3.1%.

The net decrease in operating costs is related in part to the lower turnover and in part to the prudence in the management of the costs incurred to follow the defined strategy and the guidelines of the strategic plan. The greater impact of operating costs on turnover (from 34.3% in 2019 to 48.7% in 2020) highlights how the Group cost structure is largely fixed, with significant operating leverage. The management contained the growth in costs expected in 2019, before the pandemic, delaying some expected investments: operating costs before adjustments decreased in the twelve months of 2020 by €1.25 million.

The most significant item in the operating costs is represented by the payroll costs, which amounted to €20.09 million, accounting for 29.0% of the revenues (20.0% of the revenues in 2019), down, in absolute value, by €288 thousand from the same period of the previous year.

In 2020, a very limited use was made of social safety nets as the operations of personnel was able to continue due to mass recourse to remote working, supported by the use of available remote communications and interaction technologies. Operations at the registered office in Amaro (Udine) were affected as regards assembly, testing and shipping activities - which by their nature cannot be converted to remote operating methods - in the period between 26 March and 17 April, in compliance with national lock-down rules. Despite this historic phase of uncertainty, the Group continued to implement its defined strategy, as the planned route towards industrial IoT and to Edge computing was confirmed valid even, if not more so, in the new pandemic scenario. Consequently, a number of targeted recruitments were arranged in the research and development and technical sales support areas, which resulted in the number of employees at 31 December 2020 reaching 323 (318 at 31 December 2019), with a period average of 319.9 employees (311 in 2019).

EBITDA amounted to €6.63 million compared with €20.53 million in 2019.

EBITDA in 2020 as a percentage of revenues was 9.6%, compared with 20.1% in 2019.

It is from the second half-year of 2017, therefore for 14 consecutive quarters, that the interim results show an EBITDA higher than 8.5%, with peaks of 24% and a break-even or positive pre-tax profit. This is an important trend, which shows how the group managed to find a very competitive low break-even point, on which to activate an important operating leverage as demonstrated in 2019.

EBIT was also significantly impacted by the drop in turnover and amounted to €2.44 million compared to €16.61 million in 2019, after having included amortisation/depreciation and write-downs of the

property, plant and equipment and intangible assets of €4.19 million compared to amortisation/depreciation and write-downs of €3.92 million in 2019. EBIT as a percentage of revenues amounted to 3.5% in 2020 compared to 16.3% in 2019. The increase in amortisation/depreciation is mainly due to the new amortisation/depreciation of some development projects and the new ERP system.

The write-downs made in 2020 refer both to the write-down of a property to bring its net residual value in line with an appraisal carried out during the year, and to the write-down of product development costs that are not deemed to be marketed as originally expected. In 2019, the write-downs referred exclusively to product development activities capitalised in previous years that have required the write-down of the recorded cost.

Net financial management in 2020 amounted to -€0.67 million (-€0.49 million in 2019), with €0.40 million relating to the net interest management (it amounted to €0.44 million in 2019) and the amount of the other financial changes. With reference to the net exchange rate difference, a loss of €0.19 million was recorded in 2020, while in 2019 a profit of €0.04 million was recognised.

The pre-tax profit for 2020 remained positive by €1.83 million (€16.12 million in 2019). This performance was influenced by the factors outlined above.

The Group net profit was €0.13 million, compared to €19.24 million in 2019.

This performance not only reflects the pre-tax profit, but is due to the influence of the tax effect on the individual Group companies, (see Note 31 for more details) and to the non-recognition during the year of deferred tax assets on tax losses generated in the period.

The Group controls a “NanoPC” business line which comprises a) miniaturised modules and electronic systems with high computing power 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 regions 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.

	North America			Europe			Asia			Correction, reversal and elimination			Total		
	FY 2020	FY 2019	% YoY Change	FY 2020	FY 2019	% YoY Change	FY 2020	FY 2019	% YoY Change	FY 2020	FY 2019	% YoY Change	FY 2020	FY 2019	% YoY Change
Third party Sales	25,451	47,907		19,807	27,312		24,001	26,754		0	0		69,259	101,973	
Infra-sector Sales	720	900		2,931	7,408		483	1,117		(4,134)	(9,425)		0	0	
Total Sales revenues	26,171	48,807	-46.4%	22,738	34,720	-34.5%	24,484	27,871	-12.2%	(4,134)	(9,425)	56.1%	69,259	101,973	-32.1%
Gross profit	10,772	20,330	-47.0%	11,521	16,432	-29.9%	14,598	15,919	-8.3%	(373)	(730)	-48.9%	36,518	51,951	-29.7%
Gross profit margin - %	41.2%	41.7%		50.7%	47.3%		59.6%	57.1%					52.7%	50.9%	
EBITDA													3,207	20,535	-84.4%
EBITDA margin - %													4.6%	20.1%	
EBIT													2,439	16,611	-85.3%
EBIT margin - %													3.5%	16.3%	

North American revenues, including infra-sector revenues, declined from €48.81 million in 2019 to €26.17 million in 2020 (-46.4%). This decrease was due in the first place to the reduction in the turnover of an important customer who was not able to win some contracts at the end of 2019 and to maintain the high level of turnover achieved in the same year and subsequently to the effects generated by the pandemic that slowed down - if not stopped - the transformation of existing design-win into orders on which the company was counting to offset the decline in turnover related to the customer mentioned above. Part of the marketing activities undertaken in the USA in 2018 and 2019 were revised in 2020 due to the different way of contacting companies and interacting with people, following the limitations caused by the COVID-19 pandemic. Moreover, the uncertainties caused by the US presidential elections slowed

down the orders collection. The company has continued to focus on the existing customers while carrying out targeted actions in seeking new customers and medium-large customers, generally belonging to the list of Global 2000 companies, which remain, albeit with the appropriate precautions, the most active in and ready to accelerating their digital transformation. In the IoT area, the crisis situation that has arisen has certainly not helped to start the production of projects by customers with whom the trials (POC) had already been activated. However, the technological knowledge that Eurotech can offer in AI (Artificial Intelligence) and IoT remains a topic of high interest to customers.

The European business area also slowed down, from €34.72 million in 2019 to €22.74 million in 2020, thus recording a 34.5% reduction, including infra-sector revenues. This decrease was generalised in all areas covered by the European companies. The lock-down in the various European countries heavily penalised contacts with customers and the search for new methods of interaction required an adjustment time for both the sales force and the customers themselves. Contacts were maintained with historical customers to support them in case of need and we tried to work to develop and raise awareness of products for industrial IoT, and HPEC (High Performance Embedded Computing) to develop Artificial Intelligence and collaborative robotics.

Finally, in the Asia business area, there was a 12.2% decline compared to the previous year, from €27.87 million to €24.48 million (amounts including the infra-sector revenues), with supplies continuing to traditional customers who trust the technical capabilities and knowledge of our engineers to keep the products up to date with existing technological changes, and beginning 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 revenues, shows increased revenue from services, especially in absolute terms (with a 33.8% up compared to 2019) and in percentage terms with respect to the industrial revenue.

(€' 000)	FY 2020	%	FY 2019	%
SALES BY TYPE				
Industrial revenues	62,524	90.3%	96,938	95.1%
Services revenues	6,735	9.7%	5,035	4.9%
TOTALE SALES AND SERVICE REVENUES	69,259	100.0%	101,973	100.0%

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

(€' 000)	FY 2020	%		FY 2019	%	% change
BREAKDOWN BY GEOGRAPHIC AREA						
European Union	16,263	23.5%	(*)	22,427	22.0%	-27.5%
United States	24,840	35.9%		46,669	45.8%	-46.8%
Japan	24,001	34.7%		26,752	26.2%	-10.3%
Other	4,155	6.0%		6,125	6.0%	-32.2%
TOTAL SALES AND SERVICE REVENUES	69,259	100.0%		101,973	100.0%	-32.1%

(*) the amount of the European Union area relating to 2019 was reclassified to represent a value comparable with 2020 following the exit of the United Kingdom from the EU

Based on the breakdown of turnover by customer geographical area, the US area is confirmed as the most important area of the Group despite the reduction YoY of 46.8%. The USA area accounted for 35.9% of total annual turnover in 2020 compared to 45.8% in 2019.

The Japan area registered a 10.3% decrease in turnover compared to 2019, becoming the second most important area with a 34.7% of consolidated turnover, up compared to 26.2% in 2019.

As regard the European area, in order to standardise the values, it was appropriate to reclassify 2019 by recording its value net of the sales made in the United Kingdom. As a result of this reclassification, the level of turnover decreased by 27.5%. The percentage to the overall turnover by the European area remained stable from the previous year, at 22.0% to 23.5% of the total.

With reference to the other geographical areas, which in both years included the turnover from customers located in the United Kingdom, there was a decrease of 32.2% due to lower sales in China and South-East Asia accounting for a total 6% in both years.

(€'000)	FY 2020	% of sales	FY 2019	% of sales	% change
Purchases of raw materials, semi-finished and finished products	32,748	47.3%	47,986	47.1%	-31.8%
Changes in inventories of raw materials	24	0.0%	966	0.9%	-97.5%
Change in inventories of semi-finished and finished products	(31)	0.0%	1,070	1.0%	-102.9%
TOTAL COST OF MATERIALS	32,741	47.3%	50,022	49.1%	-34.5%

Consumption of raw and auxiliary materials and consumables – the components of which are shown in the table above – during the period showed a performance reflecting the decrease in turnover from €50.02 million in 2019 to €32.74 million in 2020. In the period in question, there was a 34.5% reduction in consumption, i.e. more than proportional to the 32.1% decrease in turnover. The non-proportional 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 49.1% in 2019 to 47.3% in 2020.

(€'000)	FY 2020	% of sales	FY 2019	% of sales	% change
Service costs	12,150	17.5%	13,204	12.9%	-8.0%
Rent and leases	404	0.6%	338	0.3%	19.5%
Payroll	20,095	29.0%	20,383	20.0%	-1.4%
Non recurrent costs	-	0.0%	-	0.0%	#DIV/0!
Accruals and other costs	1,099	1.6%	1,077	1.1%	2.0%
Cost adjustments for in-house generation of non-current assets	(3,483)	-5.0%	(2,451)	-2.4%	42.1%
Operating costs net of cost adjustments	30,265	43.7%	32,551	31.9%	-7.0%

As a percentage of revenues, other operating costs, net of cost adjustments for internal increases, stood at 43.7% in 2020 to 31.9% in 2019.

In absolute terms, net operating costs were down by 7.0%, from €32.55 million in 2019 to €30.26 million in 2020. The decline in absolute value is mainly the result of the decrease in service costs and an increase in cost adjustments that were capitalised, in particular due to the extraordinary contribution deriving from the activities related to the implementation of the new ERP system. The most significant operating cost categories consist of the costs for services supporting the various company activities, with particular reference to development and commercial costs, and of payroll costs.

The trend in service costs is shown below.

(€'000)	FY 2020	%	FY 2019	%	% change
Industrial services	4,991	41.1%	5,166	39.1%	-3.4%
Commercial services	1,894	15.6%	3,183	24.1%	-40.5%
General and administrative costs	5,265	43.3%	4,855	36.8%	8.4%
Total costs of services	12,150	100.0%	13,204	100.0%	-8.0%
% impact on sales	17.5%		12.9%		

Service costs decreased by 8.0% or €1.05 million, down from €13.20 million in 2019 to €12.15 million in 2020. As a percentage of revenues, this item stood at 17.5% (2019: 12.9%).

Industrial service costs were down by 3.4%, from €5.17 million in 2019 to €4.99 million in 2020. These costs are directly linked to both the quantity of products sold and their mix.

The costs for commercial services, incurred to support the product portfolio in the various reference markets, decreased due to lower marketing and sales expenses incurred during the year to be attributed to the restrictions deriving from the measures to combat the COVID-19 pandemic; these costs amounted to €1.89 million in 2020 (2019: €3.18 million), a decrease of €1.29 million or 40.5%.

Costs for general and administrative services were up by 8.4%, compared to the previous year, from €4.85 million in 2019 to €5.26 million in 2020. The increase is due to higher costs incurred for the new Group ERP system, which were then partly capitalised, and to consultancy costs to support the business.

The absolute value of leasing costs increased from €0.34 million in 2019 to €0.40 million in 2020. The increase is due to higher leasing costs incurred for activities related to the IoT business area. The percentage to revenues amounted to 0.6% (2019: 0.3%).

In the period under review, payroll costs decreased by 1.4%. The difference is due to some effects on costs, such as the lower impact of costs related to the performance share plan, the different mix of salaries regarding newly hired people compared to those who left during the year and lastly a reduced impact of variable bonuses since the objectives set at the beginning of the year were not reached. Lastly, there was a different percentage of allocations to provisions for personnel in the Asian area.

(€'000)	FY 2020	%	FY 2019	%	% change
Wages, salaries and Social Security contributions	19,011	94.6%	19,690	96.6%	-3.4%
Employees' leaving entitlement and other personnel provisions	526	2.6%	165	0.8%	218.8%
Other costs	558	2.8%	528	2.6%	5.7%
Total personnel expenses	20,095	100.0%	20,383	100.0%	-1.4%
% impact on sales	29.0%		20.0%		

Payroll costs as a percentage of revenues stood at 29.0% in 2020, compared to 20.0% in 2019.

As shown in the table below, the number of Group employees at the end of the years under review increased from 318 in 2019 to 323 in 2020. In terms of average number of employees, the values are up: from 311.5 units in 2019 to 319.9 units in 2020.

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 2020	at December 31, 2020	Average 2019	at December 31, 2019
Manager	8.8	9	10.0	10
Clerical workers	289.1	291	280.7	285
Line workers	22.0	23	20.9	23
TOTAL	319.9	323	311.5	318

Total accrual and other costs are as follow:

(€'000)	FY 2020	%	FY 2019	%	% change
Doubtful debt provision	98	8.9%	140	13.0%	-30.0%
Other Provisions	386	35.1%	248	23.0%	55.6%
Other costs	615	56.0%	689	64.0%	-10.7%
Total accruals and other costs	1,099	100.0%	1,077	100.0%	2.0%
% impact on sales	1.6%		1.1%		

The “doubtful debt provision” item refers to provisions made during the years under review to cover any trade receivables that cannot be collected.

The item Provisions is entirely related to tax charges and mainly to a fiscal adjustment on some years from 2016 to 2017 for around €352 thousand.

During the year, losses on receivables stood at €13 thousand, while no losses were recognised in 2019. As a percentage of revenues, other provisions and costs increased from 1.1% in 2019 to 1.6% in 2020.

(€'000)	FY 2020	%	FY 2019	%	% change
Government grants	257	67.8%	566	49.9%	-54.6%
Sundry revenues	122	32.2%	569	50.1%	-78.6%
Total other revenues	379	100.0%	1,135	100.0%	-66.6%
% impact on sales	0.7%		1.1%		

The “Other income” item decreased by 66.6% in the reporting period, from €1.13 million in 2019 to €0.38 million in 2020. The decrease is the combined effect of lower contributions for the year and the loss of income deriving from a transaction with a supplier for approximately Euro 411 thousand in 2019.

“Other revenues” fell from 1.1% in 2019 to 0.7% in 2020 as a percentage of revenues.

(€'000)	FY 2020	%	FY 2019	%	% change
Amortisation of intangible assets	2,131	50.8%	1,916	48.8%	11.2%
Amortisation of property, plant and equipment	1,911	45.6%	1,998	50.9%	-4.4%
Write-down of fixed assets	151	3.6%	10	0.3%	n.s.
Total amortisation and depreciation	4,193	100.0%	3,924	100.0%	6.9%
% impact on sales	6.1%		3.8%		

Amortisation/depreciation increased from €3.91 million in 2019 to €4.04 million in 2020. This change is attributable to the impact of application of the amortisation relating to the investments made in the period and in previous periods.

The write-down of assets for the year is related both to the write-down for €60 thousand of the building of the subsidiary IPS to adjust it to the value based on the appraisal drawn up during the year and to the write-down for €91 thousand of development activities that are not considered to be usable anymore; in 2019, the amount referred entirely to the write-down of development activities that were deemed not to produce benefits in the future.

Depreciation, amortisation and write-downs of assets as a percentage of revenues rose to 6.1% in 2020 from 3.8% in 2019.

With reference to the item Management of equity investments, the revenues recorded refer to the capital gain obtained following the sale of the shares of the company Inasset S.r.l. In 2019, no costs or revenues were recorded in consideration of the fact that there had been no changes in their management.

€'000	FY 2020	FY 2019	change %
Exchange-rate losses	976	442	120.8%
Interest expenses	361	405	-10.9%
Interest expenses on lease liabilities	44	68	-35.3%
Expenses on derivatives	36	24	50.0%
Other finance expenses	44	63	-30.2%
Financial charges	1,461	1,002	45.8%
Exchange-rate gains	784	478	64.0%
Interest income	5	28	-82.1%
Other finance income	4	10	-60.0%
Financial incomes	793	516	53.7%
Net financial income	(668)	(486)	37.4%
% impact on sales	-1.0%	-0.5%	

The increase in financial charges from €1.00 million in 2019 to €1.46 million in 2020 was due in particular to the combined effect of the increase in the negative foreign exchange differences (of the US dollar, the Japanese yen and the UK pound) and the decrease in interest expense compared to the previous year.

Financial income also increased from €0.52 million in 2019 to €0.79 million in 2020. The change is mostly due to the higher forex effect (USD, GBP and JPY) compared to the previous year.

Net charges from financial management as a percentage of revenues were -1.0% in 2020, compared with -0.5% in 2019.

(€'000)	FY 2020	% of sales	FY 2019	% of sales	% change
Pre-tax result	1,832	2.6%	16,125	15.8%	-88.6%
Income taxes	(1,700)	-2.5%	3,117	3.1%	-154.5%

The Group registered a decrease in pre-tax profit from €16.12 million in 2019 to €1.83 million in 2020. 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. The incidence of income taxes on the pre-tax result in the period in question reflects the tax trends of the various companies included in the scope of consolidation, as well as the non-recognition in 2020 of deferred tax assets deriving from the tax losses recognised in the period due to the uncertainties arising from the global economic situation resulting from the COVID-19 pandemic. 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 taxes 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 2020	% of sales	FY 2019	% of sales
IRES (Italian corporate income tax)	179	0.0%	36	0.2%
IRAP (Italian Regional business tax)	38	0.3%	259	0.2%
Foreign current income taxes	1,006	1.3%	1,286	1.9%
Total current income tax	1,223	1.6%	1,581	2.3%
Net (prepaid) deferred taxes: Italy	(34)	-3.2%	(3,259)	-0.4%
Net (prepaid) deferred taxes: Non-Italian	511	-1.4%	(1,473)	-2.0%
Net (prepaid) deferred taxes	477	-4.6%	(4,732)	-2.3%
Previous years taxes	-	0.0%	34	0.0%
Previous years taxes	-	0.0%	34	0.0%
TOTAL INCOME TAXES	1,700	-3.1%	(3,117)	-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 €0.13 million compared to a profit of €19.24 million in 2019.

Statement of financial position

Non-current assets

(€'000)	at December 31, 2020	at December 31, 2019	Changes
Intangible assets	86,775	88,905	(2,130)
Property, Plant and equipment	6,468	6,565	(97)
Investments in other companies	533	162	371
Deferred tax assets	7,478	7,981	(503)
Medium/long term borrowing allowed to affiliates companies and other Group companies	57	89	(32)
Other non-current assets	661	665	(4)
Total non-current assets	101,972	104,367	(2,395)

The “Non-current assets” item decreased from €104.37 million in 2019 to €101.97 million in 2020. The change reflects primarily the change in intangible assets arising from the different conversion ratio for financial statements in foreign currency, in addition to the investments made and the related amortisation, the increase in the shareholding held in other companies for €400 thousand and the change in deferred tax assets, which decreased by €0.50 million due to the use of said tax assets during the year. With reference to the change in the period, which shows a decrease of €2.39 million, the exchange rate effect had an impact of €4.79 million: in fact, if the values at constant exchange rates had been compared, an increase of €2.40 would have resulted.

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

(€'000)	at December 31, 2020	at December 31, 2019	Changes
Intangible assets	4,270	3,055	1,215
Property, plant and equipment	1,929	1,290	639
Investments	400	-	400
TOTAL MAIN INVESTMENTS	6,599	4,345	2,254

Current assets

(€'000)	at December 31, 2020	at December 31, 2019	Changes
Inventories	17,393	21,256	(3,863)
Trade receivables	16,441	11,707	4,734
Income tax receivables	900	269	631
Other current assets	1,665	2,115	(450)
Other current financial assets	125	108	17
Cash & cash equivalents	41,222	30,687	10,535
Total current assets	77,746	66,142	11,604

The current assets item increased, from €66.14 million in 2019 to €77.75 million in 2020. The change is mainly due to the increase in the cash and cash equivalents due to resources deriving from loans obtained during the year and, partially, as per the cash flow statement, for €3 million from the generation of operating cash during the year. Compared to 31 December 2019, at the end of 2020 there was a reduction in inventories of €3.86 million (-18.2%) and a net increase in trade receivables of €4.73 million (+40.4%).

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, 2020 (b)	at December 31, 2019 (a)	Changes (b-a)
Inventories	17,393	21,256	(3,863)
Trade receivables	16,441	11,707	4,734
Income tax receivables	900	269	631
Other current assets	1,665	2,115	(450)
Current assets	36,399	35,347	1,052
Trade payables	(10,647)	(11,562)	915
Income tax liabilities	(810)	(1,182)	372
Other current liabilities	(9,115)	(7,713)	(1,402)
Current liabilities	(20,572)	(20,457)	(115)
Net working capital	15,827	14,890	937

Net working capital increased by €0.94 million. This increase is the result of the combined effect of increased current assets and an even more marked increase in current liabilities. More specifically, there were net decreases in inventories, contracts in progress and increases in trade receivables in addition to a decrease in the liabilities relating to trade payables and income tax liabilities and an increase in other current liabilities. Net working capital as a percentage of turnover was 22.9%, due to the effect of the reduced turnover, compared to 14.6% at the end of 2019.

Net financial position

The Group's financial position at 31 December 2020 shows a positive net cash position of €8.55 million, compared with €12.25 million at 31 December 2019.

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; at 31 December 2020, the greater residual financial liabilities amounted to €3.00 million.

This decrease is due to the increase in working capital of €0.94 million and the net investment in property, plant and equipment, intangible assets and equity investments totalling €2.55 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, 2020	at December 31, 2019
Cash & cash equivalents	A	(41,222)	(30,687)
Cash equivalent	B=A	(41,222)	(30,687)
Other current financial assets	C	(125)	(108)
Derivative instruments	D	81	44
Short-term borrowing	E	8,901	7,001
Short-term financial position	F=C+D+E	8,857	6,937
Short-term net financial position	G=B+F	(32,365)	(23,750)
Medium/long term borrowing	H	23,874	11,590
Medium-/long-term net financial position	I=H	23,874	11,590
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	(8,491)	(12,160)
Medium/long term borrowing allowed to affiliates companies and other Group	K	(57)	(89)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	(8,548)	(12,249)

Existing financial liabilities of €29.52 million, plus current account overdrafts at year-end 2020 of €0.25 million, combine to form total debt toward banks of €29.77 million, of which €7.75 million is payable in the short term.

The debt resulting from the reporting of lease contracts (Right of Use) amounted to €3.00 million at the end of 2020 versus €4.00 million at the end of 2019.

At 31 December 2020, the Group had complied with all the financial covenants contained in the existing loan agreements.

Due to the performance of the period, operations generated a cash flow of €3.39 million, compared to €20.91 million in 2019.

Finally, cash flows from lending activities were mainly due to the new loans - also related to the so-called "Cura Italia" loans - to support investment activities offset by the reimbursement of short-term portions of medium-term loans.

Within the scope of transactions aimed at routine management of the business of the Eurotech Group and constant promotion of 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 guarantees, 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 2020 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.

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. 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 32 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 communication 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 Art. 79 of CONSOB Regulation no. 11971/99 as subsequently amended.

at December 31, 2020									
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	
Patrizio Mapelli	President from April 28, 2020	Eurotech	-	-	-	-	-	-	-
Fumagalli Aldo	Director and from April 28, 2020 Vice President	Eurotech	-	-	-	-	-	-	-
Siagri Roberto	President and CEO up to April 28, 2020 and CEO from April 28, 2020	Eurotech	Ownership	472,770	56,000	(25,000)	503,770	316,770	-
Antonello Giulio	Director up to April 28, 2020	Eurotech	-	-	-	-	-	-	-
Costacurta Riccardo	Director up to April 28, 2020	Eurotech	-	-	-	-	-	-	-
Mio Chiara	Director	Eurotech	-	-	-	-	-	-	-
Paladin Dino	Director up to April 28, 2020	Eurotech	-	-	-	-	-	-	-
Pezzuto Carmen	Director up to April 28, 2020	Eurotech	-	-	-	-	-	-	-
Marti Antongiulio	Director	Eurotech	-	-	-	-	-	-	-
Curti Susanna	Director	Eurotech	-	-	-	-	-	-	-
Costaguta Marco	Director from April 28, 2020	Eurotech	-	-	-	-	-	-	-
Filippini Mariagrazia	Director from April 28, 2020	Eurotech	-	-	-	-	-	-	-
Rovizzi Laura	Director from April 28, 2020	Eurotech	-	-	-	-	-	-	-
Favaro Gianfranco	President of Board of Statutory Auditors up to April 28, 2020	Eurotech	-	-	-	-	-	-	-
Briganti Laura	Statutory Auditor up to April 28, 2020	Eurotech	-	-	-	-	-	-	-
Fabio Monti	President of Board of Statutory Auditors from April 28, 2020	Eurotech	Ownership	3,000	-	(3,000)	-	-	-
Daniela Savi	Statutory Auditor from April 28, 2020	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 2020 and 31 December 2019:

(€'000)	Profit (Loss) 12/31/2020	Shareholders' Equity 12/31/2020	Profit (Loss) 12/31/2019	Shareholders' Equity 12/31/2019
Financial report of the Parent Company	(3,006)	147,097	8,377	149,717
Group share of shareholders' equity and pro-quota value in consolidated companies	1,403	(82,380)	11,845	(81,315)
Differential arising from consolidation		49,009		50,929
Trademark		8,372		8,684
Reversal of Impairment of equity transactions	185	-	51	-
Elimination of unrealised internal profit on capitalizations	(25)	(346)	(67)	(320)
Exchange differences on equity investments in foreign companies	3,453	-	(725)	-
Stock option subsidiaries	(122)	-	(247)	-
Offset dividends	(1,836)	-	-	-
Tax effects on consolidation adjustments listed above	80	(2,888)	8	(3,039)
Consolidated financial statements	132	118,864	19,242	124,656

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

The Parent Company Eurotech S.p.A. held 290,520 treasury shares at the end of the reporting period. Treasury shares changed as follows in 2020:

	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	(149,500)	(37)	-0.42%	(351)	2.35
Status as at 30 December 2020	290,520	73	0.82%	682	2.35

Investments and research and development

At 31 December 2020, technical investments (property, plant and equipment) in equipment and instruments amounted to €203 thousand, investments in property and other assets amounted to €881 thousand, investments to purchase user licenses, software and know-how amounted to €957 thousand. During the period, the Group invested in industrial research and development and technological innovation for new products and for improving the current products and 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 €2.91 million: 36.8% of said costs relate to the development of new hardware products based on the new ultra-low power architecture; 51.5% of said costs relate to software projects in the Edge computing segment and in the Internet of Things platforms; the remaining approximately 11.7% 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 associated with the COVID-19 pandemic

The persistence of the state of health emergency due to the spread of COVID-19 and the restrictive measures issued by national and foreign authorities that at the moment seem to be intensifying, in addition to the worsening of the European and global macroeconomic scenario and the risk of possible deterioration of the credit profile of customers in some sectors, could lead to slowdowns in business activities. These slowdowns may derive from the difficulty of meeting established customers, the difficulty of interacting with new customers, the situation of uncertainty and discontinuity in the supply chain and may have negative impacts on the Company's overall results.

The management of this emergency situation involves the implementation of all activities pertaining to the operational continuity of business processes with the aim of ensuring the functionality of the activities in support of customers, the services provided also to the Group companies and the protection of the health of the employees.

Risks connected to general economic conditions

The global macro-economic scenario in 2020 was not only unforeseen, but also difficult to understand during the year. To date, there seems to be encouraging prospects for the distribution of vaccines, even if in the short term, the COVID-19 pandemic continues to generate serious risks for public health and, consequently, important impacts on world economies. The worsening of COVID-19 cases, also due to its variants that have recently emerged, and the associated containment measures are significantly limiting economic activities.

The macro-economic context affects the Group's ability to implement the desired growth path. The technological sectors in which the Group operates, although impacted by the pandemic in the short term, remain with a positive outlook for the years to come. In part, the scenario will also depend on the investments that the States will decide to make in support of local economies. In the second half-year of 2020, the Gross Domestic Product (GDP) recovered, after the sharp decline in the first half of the year, although remaining below the levels prior to the pandemic. The GDP may not be maintained at the levels envisaged for 2021 (the IMF estimated the growth of the global economy at 5.5% on 26.01.2021) if the forecasts of the vaccination campaign are not met, if economic policy actions are not quickly adopted and if there are new waves of infections caused by the COVID-19 variants.

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.

The political instability of some European countries as well as the effects of the United Kingdom's exit from the European Community, still to be assessed, as well as the risk of Europe's failure to recover quickly after the pandemic, 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 34.

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 flows its revenue levels must amount to at least as much as obtained in 2020 and continue to focus on margins and operating costs in accordance with revenue levels.

Only for a limited number of loans, 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 these 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 further 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 systems sector.

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.

Cyber Security Risk

The risk of cyber security is represented by the possibility that cyber-attacks compromise company information systems, with the main consequences being the theft of sensitive information (including company know-how), the interruption of services provided with both economic and reputational consequences.

The consequences deriving from a cyber-attack could concern:

- the loss of confidentiality, i.e. the intentional or accidental disclosure of confidential information, which may result in losses for the Eurotech Group in terms of competitive advantage, damage to its image and reputation and legal and economic impacts (e.g. sanctions) due to failure to compliance with regulatory and/or contractual obligations;
- the loss of integrity and availability of the information and systems supporting the business, which may result in a loss of profit due to the non-provision of services and/or damage to company assets.

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 no. DEM/11070007 of 5 August 2011 (a continuation of 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 Art. 3 of CONSOB Resolution no. 18079 of 20 January 2012, Eurotech adheres to the simplification procedure provided for by Arts. 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 Regulation 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

The developments of the COVID-19 pandemic and its variants continue to be monitored, as we are trying to understand how any prolongation of the effects already recorded in 2020 may affect the company's business. In any case, the sound financial situation of the Group, the consolidated relationships with primary customers as well as the technology sector in which the company operates suggest that there are sufficient elements not to consider the Group's business continuity affected.

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

Report on corporate governance and ownership structure

The information required by Art. 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 Art. 2427, paragraph 1(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 Art. 36 of CONSOB Regulation no. 16191/2007 (the "Stock Market Regulation"). In this regard, note that at 31 December 2020 the subsidiaries created and regulated under the laws of countries outside the European Union, pursuant to Art. 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 the British company Eurotech Ltd. and that the requirements set out in paragraph 1 of said article are met for these subsidiaries.

Competitive scenario, outlook and future growth strategy

Despite the economic situation related to the COVID-19 pandemic, the integration and the 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 2021 and the years to

come is positive, although uncertainties that arise from time to time in the market conditions in certain sectors persist.

The Group will also pursue strategic development in 2021, along guidelines outlined in the previous 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: 2020

Report approval date: 15 March 2021

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GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code for listed companies in force until the 2020 financial year, subsequently replaced, as from the 2021 financial year, by the Corporate Governance Code, issued by the Corporate Governance Committee and promoted by Borsa Italiana SpA, ABI, Ania, Assogestioni, Assonime and Confindustria; available online at www.borsaitaliana.it, under “Borsa Italiana - Regulations – Corporate Governance”.

Italian Civil Code: 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 subsequently amended).

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

CONSOB Market Regulation: regulation 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: this 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 report on the remuneration policy and compensation paid prepared, pursuant to Art. 123-*ter* of the TUF and Art. 84-*quater* of the CONSOB Issuer Regulation.

Consolidated Law on Finance/TUF: Legislative Decree 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 2020. The information contained in this Report therefore refers to that date, unless otherwise indicated.

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 communicate. 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 wish 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 amended by Art. 44-*bis* of Legislative Decree No. 76 of 16 July 2020, starting from the 2014 financial year, since it falls within the parameter provided for by the aforementioned provision, as also 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. With reference to the financial year, Eurotech's capitalisation, calculated pursuant to Art. 2-*ter* of CONSOB Issuer Regulation, is approximately €192 million.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (*PURSUANT TO ART. 123-BIS, PARAGRAPH 1, OF THE TUF*) AS AT 31 DECEMBER 2020

a) Share capital structure

As at 31 December 2020, 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 128,020 treasury shares, equivalent to 0.36% 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 generally 5% of the share capital with voting rights (see Art. 120, paragraph 2, last sentence, of the TUF). As of 11 April 2020 and, as of now, until 13 April 2021, CONSOB, in the context of the Covid-19 pandemic, lowered this threshold to 3%.

As at 31 December 2020 and as of the date of this Report, the 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.	20.040%	20.040%

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 2020 there was an agreement between the Company's shareholders that is relevant pursuant to Art. 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 05 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 Art. 122, paragraph 1 and paragraph 5, letters a) and b) of the TUF.

At the date of the Report, also by virtue of the purchases of Issuer's shares carried out by Emera during the year, 7,117,404 ordinary shares of the Issuer, representing approximately 20.040% of the Issuer's share capital and voting rights, are subject to the Agreement.

No party, by virtue of agreements contained in the Agreement, has the power to exercise control over Eurotech S.p.A. pursuant to Art. 93 of the TUF. It should be noted that, by virtue of the appointment, at the Ordinary Shareholders' Meeting of Eurotech S.p.A. held on 28 April 2020, of members of the Board of Directors and the Board of Statutory Auditors taken from the list submitted by Emera, the latter currently exercises de facto control over Eurotech pursuant to Art. 2359 of the Italian Civil Code and Art. 93 of the TUF.

The essential information, as occasionally updated, relating to the Agreement, including the content of agreements and the duration of the Agreement itself, is available on the Company's website 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.

In terms of PTOs, 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 28 April 2020 resolved, subject to revocation of the authorisation taken by the Shareholders' Meeting held on 30 April 2019, to:

“(A) to revoke the resolution authorising the disposal of treasury shares, voted by the ordinary Shareholders' Meeting of 30 April 2019, effective from the date of the resolution;

(B) to authorise the purchase and sale of treasury shares, pursuant to and in accordance with Art. 2357 and 2357-ter of the Italian Civil Code, as well as Art. 132 of Italian Legislative Decree No. 58/1998 and 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 Art. 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 Art. 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 on its behalf, the Chairperson and the Chief Executive Officer, acting severally and not jointly, to grant the Board the widest possible powers to execute the transactions referred to in this resolution, as well as any other related formalities, including the appointment of intermediaries authorised by law and with the power to appoint special attorneys, so that, pursuant to and for in accordance with Art. 2357-ter of the Italian Civil Code, to dispose of the treasury shares purchased on the basis of this resolution, or in any case in the Company's portfolio, at any time, in whole or in part, on one or more occasions, without time limits, even before having exhausted the purchases, (i) by means of assignment to the beneficiaries of the medium-long term incentive plans implemented from time to time in

accordance with the terms and conditions provided for by the plans themselves; (ii) if necessary, to use the treasury shares as consideration in extraordinary transactions, including the exchange of equity interests with other parties, as part of transactions in the interest of the Company; (iii) if necessary, to allocate treasury shares in excess of those to be used to service the incentive plans referred to in point (i) above for other purposes permitted by current legislation in the interest of the Company or, in any case, to dispose of them by selling them on or off the stock exchange, possibly also by means of the transfer of real and/or personal rights, including, by way of example, securities lending, in compliance with the provisions of law and regulations in force at the time and for the pursuit of the purposes set forth in this resolution, with the terms, methods and conditions of the deed of disposal of treasury shares deemed most appropriate in the interest of the Company; without prejudice to the fact that (a) disposals made as part of extraordinary transactions, including those involving the exchange of equity interests with other parties, may take place at a price or value that is congruous and keeping with the transaction, based on the characteristics and nature of the transaction and taking market trends into account; and that (b) disposals of treasury shares to service incentive plans shall be made according to the terms and conditions provided for, from time to time, by the plans themselves; the authorisation referred to in this point is granted without time limits; and to provide, in accordance with the law, that the purchases referred to in this authorisation shall be contained within the limits of the distributable profits and the available reserves resulting from the latest financial statements (including interim financial statements) 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 entries be made in compliance with the provisions of the law and the applicable accounting standards.”

At the date of this Report, the Company holds 128,020 treasury shares, equivalent to 0.36% of the share capital (amounting to € 8,878,946.00, divided into 35,515,784 ordinary shares).

I) 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, letters 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/codice.htm>.

As of 1 January 2021, Eurotech applies the Code in the version approved by the Corporate Governance Committee in January 2020.

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 those provided for by 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 been modified as a result of two legislative interventions:

a) Law No 157/2019 converting Decree-Law No 124/2019 (Art. 58-*sexies*), amended - with effect from 25 December 2019 - Art. 147-*ter*, paragraph 1-*ter* (and Art. 148, paragraph 1-*bis*) 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 Art. 1, has confirmed the validity of the rules on the gender 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 criterion of allocating at least two-fifths, pursuant to Art. 147-*ter*, paragraph 1-*ter* of the TUF and Art. 148, paragraph 1-*bis* of the TUF has been applied as 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 that took place at the Shareholders' Meeting called to approve the financial statements as at 31 December 2019, held on 28 April 2020.

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 4 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. Pursuant to Art. 144-*septies*, paragraph 1, of the CONSOB Issuer Regulation, CONSOB publishes, within 30 days of the end of the financial year, the equity interest required for the presentation of lists of candidates for the election of the management and control bodies. By Management decision No 28 of 30 January 2020 of the Head of the Corporate Governance Division, issued in implementation of Art. 144-*septies* of the CONSOB Issuers' Regulation, CONSOB set the minimum equity interest for submitting lists of candidates for the election of the Issuer's Board of Directors at ¹4.5% of the share capital with voting rights.

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;

¹ By subsequent Management decision No 44 of 29 January 2021 of the Head of the Corporate Governance Division, CONSOB confirmed the minimum equity interest for submitting lists of candidates for the election of the Company's Board of Directors at 4.5% of the share capital.

- 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 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) 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 currently in office was appointed by the Shareholders' Meeting held on 28 April 2020, 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 only list submitted by the shareholder EMERA S.r.l., pursuant to the current Bylaws and in compliance with the provisions of the Agreement between EMERA S.r.l., Albe Finanziaria Sr.l., Bluenergy Group S.p.A., Mitica S.r.l., New Industry S.r.l., Luca Cristiana Macchi, Riccardo Benedini, Carolo Brigada, Eloisa Gandolfi, Dante Gandolfi and Manfredi de Mozzi regulating, among other things, the submission of majority lists for the election of Eurotech's corporate bodies by the Ordinary Shareholders' Meeting of 28 April 2020; this list obtained 7,218,372 votes in favour, equal to 75.996% of the voting capital.

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 2022.

Table 2 attached to this Report lists the members of the Board of Directors in office until the Ordinary Shareholders' Meeting of 28 April 2020 and 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

As regards the composition of the Board of Directors in office with regard to aspects such as age, gender composition and educational and professional background (Art. 123-bis, paragraph 2, letter d-bis), of the TUF), it is specified that: (i) the Company's Board of Directors includes four 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, on 11 March 2021, the Board of Directors, at the proposal of the Remuneration and Appointments Committee, approved the policy on diversity of Eurotech's management and control bodies pursuant to Art. 123-*bis*, paragraph 2, letter d-*bis* of the TUF (the "**Diversity Policy**"), published on the Company's website www.eurotech.com (Investors section).

With reference to the content and objectives of the Diversity Policy in relation to the composition of the Board of Directors, Eurotech believes that:

- (i) with a view to striking a balance between solid experience and a propensity to also renew the Company's strategic vision, it would be necessary to ensure diversity in terms of age among the members of the Board;
- (ii) with regard to gender composition, the new mandatory provisions of law concerning the balance between genders in the boards of directors of listed companies - Art. 147-*ter* of the TUF - increased the quota reserved for the less represented gender from one third to two fifths of the members of the administrative body;
- (iii) with reference to the professional profiles and the training path of the directors, these should constitute, as a whole, a complex of heterogeneous and complementary skills and experience, which can only favour an efficient and profitable corporate management dedicated to *business* development and, at the same time, due attention to all the profiles connected with the *status* of a listed company.

Firstly, it is considered appropriate that at least two directors - including the CEO - have expertise in the high-tech sector in which the Company operates.

In addition, given the international nature of the Eurotech Group's business, at least one director should have significant international experience.

The Board of Directors could also be composed of members of primary standing, including, for example, (i) managers with previous experience and managerial responsibilities within companies of a size and/or complexity comparable to Eurotech, with strategic vision and a clear orientation towards performance and results; (ii) professionals from professional firms, consulting or investment companies or other public or private bodies; and (iii) academic or institutional profiles.

Moreover, also taking into account the provisions of the Code concerning internal board committees, at least one member of the remuneration committee shall have adequate knowledge and experience in financial matters or remuneration policies, and at least one member of the control and risk committee shall have adequate experience in accounting and finance or risk management.

With regard to the implementation of the Diversity Policy, the main purpose of this document is to provide guidelines for the preparation by the Board of Directors, also taking into account the results of the self-assessment process, of a report to the shareholders on the best quantitative and qualitative composition, ahead of the Shareholders' Meetings convened from time to time to renew the management and control bodies. Eurotech shareholders are therefore the ultimate recipients of the indications contained in the Diversity Policy. The Diversity Policy can also serve as a useful reference point for the Appointments Committee and the Board of Directors (i) when it becomes necessary to replace a member of the Board of Directors by co-opting a new member, as allowed under Art. 2386 of the Italian Civil Code - without prejudice to compliance with the provisions of the Bylaws in this regard - or (i) in the context of the establishment of internal board committees.

With reference to the results of the Diversity Policy, Eurotech's Board of Directors monitors the results deriving from its implementation and assesses, with the support of the Appointments Committee, any need to update it, taking into account applicable legislation, the Code and Eurotech's characteristics.

Without prejudice to the recent enactment of the Diversity Policy, the Issuer believes that the composition of the current Board of Directors is consistent with the same.

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, in accordance with the provisions of Application Criterion 1.C.3 of the Code in force until 31 December 2020, 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. Taking into account the provisions of the new Code in force from 2021, which requires only the boards of directors of "large companies" (i.e. companies - of which Eurotech is not a member - whose capitalisation exceeded €1 billion on the last trading day of each of the three preceding calendar years) to produce guidance on this matter, the Board has not recently formulated guidance on the maximum number of positions in other companies.

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, nevertheless 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 Issuer.

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 in force until 31 December 2020:

Surname and Name	Company	Management and supervisory positions
Patrizio Mapelli	Eurotech S.p.A. NTT Data Corporation - Tokyo NTT Data EMEA - London everis - Madrid NTT (Japan) Triboo (Italy)	Chairperson of the Board of Directors Director - Member of the Board Director - Member of the Board Director - Member of the Board Senior Advisor Director
Antonello Giulio (In office until 28/04/2020)	Eurotech S.p.A. Auriga Partners S.A. Reno de Medici S.p.A.	Independent director Director Independent director
	Azienda Agricola Riserva San Massimo Financiere Phone 1690 S.A.	Chairperson of the Board of Directors Director
Costacurta Riccardo (In office until 28/04/2020)	Eurotech S.p.A.	Independent director
Mio Chiara	Eurotech S.p.A. Crédit Agricole Friuladria Spa Danieli & C. Officine Meccaniche S.p.A. O.V.S. Spa Servizi Italia S.p.A. Piovan S.p.A. Corà Domenico & Figli S.p.A. Mcz Group Spa Bluenergy Group S.p.A.	Independent director Chairperson of the Board of Directors Director Director Director Director Chairperson of the Board of Directors Director Director
	Eurotech S.p.A.	Director

Paladin Dino (In office until 28/04/2020)	Biofield innovation S.r.l. Ditta Dott. Dino Paladin	Sole Director Owner
Pezzuto Carmen (In office until 28/04/2020)	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
	Gate Eleven S.r.l.	Sole Auditor
	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
	Pizartprinting 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
	Zignago Holding S.p.A.	Substitute Statutory Auditor
	Exo Automotive S.p.A.	Substitute Statutory Auditor
	Aquaspace S.p.A.	Substitute Statutory Auditor
	Vetri Speciali S.p.A.	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	
Tecnodent S.r.l.	Independent Auditor	
Lucy's Line S.r.l.	Independent Auditor	
Costaguta Marco	Eurotech S.p.A.	Director
	HAT SGR	Director
	E-Novia S.p.A.	Director
	S. Quirico	Director
	Erg	Director
	Rimorchiatori Riuniti	Director
	Only the Brave	Director
	Goglio	Director
	Fine Foods	Director
	Antares Vison	Director
	Praesidium SGR	Director
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. Eurotech Inc. Eurotech France S.A. E-Tech USA Inc. Nextra Gen S.r.l. Comet S.c.a.r.l. Ditedi - Distretto industriale delle Tecnologie Digitali S.c.a.r.l.	Director Chairperson of the Board of Directors Chairperson of the Board of Directors Chairperson of the Board of Directors Sole Director Director Director
Curti Susanna	Eurotech S.p.A. Bluenergy Group S.p.A. C.I. EL Impianti S.r.l. GAS Sales S.r.l. C.G.I. S.r.l. Logibiotech S.r.l. Blu-Service S.r.l. Bluenergy Assistance S.r.l. EMERA S.r.l.	Director Chairperson of the Board of Directors Vice Chairperson of the Board of Directors Executive Director Chairperson of the Board of Directors Director Executive Director Director Director
Marti Antongiulio	Eurotech S.p.A. HOOP S.r.l. EMERA S.r.l.	Director Sole 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 Chief Executive Officer Chief Executive Officer Director Sole Director Director and Deputy Chairperson
Filippini Maria Grazia	Eurotech S.p.A.	Independent director
Rovizzi Laura	Eurotech S.p.A. Open Gate Italia DBA Group S.p.A.	Independent director Executive Director Independent 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 strategic business issues, growth opportunities and potential of the Group were discussed. The meeting lasted for 6 hours.

On 1 July 2020 a meeting was held - with all new Board of Directors and new Board of Statutory Auditors members, as well as managers of the Parent Company - during which issues relating to business strategy, growth opportunities and the Group's potential, as well as the technological evolution of the products offered, were discussed. The meeting was held through an audio-video remote link and lasted for 5 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 the meeting held on 15 March 2021, by adopting the considerations made, among others, by the Control and Risk Committee, assessed the adequacy of the organisational, administrative and general accounting structure of the Company and its subsidiaries with strategic importance pursuant to recommendation no. 1, letter d) of the Code, and deemed the internal control and risk management system of the Eurotech group to be substantially adequate and effective with respect to the characteristics of the group and the risk profile assumed, pursuant to recommendation no. 33, letter a), of the Code;
- 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 the regulatory provisions in force: (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.

In its own regulation, as last amended on 13 November 2020, the Board has identified the following general criteria for identifying transactions, including those carried out by subsidiaries, that are of significant strategic, economic, equity or financial importance for the Issuer, on which the Board is therefore reserved the right to resolve on: (i) issuance of financial instruments for a total value of more than €3 million; (ii) granting of personal or real guarantees in its own interest or in the interest of subsidiaries or affiliated companies, against guaranteed bonds for an amount of more than €3 million; (iii) granting of loans to subsidiaries or affiliated companies for an amount of more than €3 million; (iv) purchase and sale of companies or business units, or equity interests; (v) incorporation of companies or other transactions in relation to the capital of subsidiaries or affiliated companies, when the transaction involves an investment of more than €100,000.00 or involves an increase in the equity interest held; (vi) transformations, mergers, demergers.

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 Directors.

The Board of Directors held 10 (ten) meetings during the year, on: 6 March, 11 March, 6 April, 4 and 14 May, 22 and 29 July, 4 September (two meetings) and 13 November.

The meetings were minuted.

The Board meetings lasted for 2 hour and 46 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 11 and 15 March 2021 (the latter to approve the draft financial statements and the consolidated financial statements of the Group at 31 December 2020), the Board of Directors is scheduled to meet on the following dates:

- 14 May (approval of the first-quarter results to 31 March 2021);
- 3 September (approval of the first-half results to 30 June 2021);
- 12 November (approval of the third-quarter results to 30 September 2021).

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.

The timeliness and completeness of the pre-meeting information shall be guaranteed, pursuant to the Board of Directors' regulations, as last updated on 13 November 2020, by making it available to each director and statutory auditor by e-mail or by other suitable means to guarantee access and confidentiality, sufficiently in advance of the date of the board meeting, normally by the fifth day prior to the day set for the meeting, except in cases of urgency in which the documentation is made available as soon as possible. In the course of the year, 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 in order to provide additional information on the items on the agenda. During the year, the Financial Reporting Manager only took part in the meetings to which they were invited by the Chairperson of the Board of Directors.

In accordance with the provisions of recommendation No. 18 of the Code in force as from the 2021 financial year, at the meeting of 13 November 2020, the Issuer's Board of Directors, on the proposal of the Chairperson, resolved to appoint as Secretary of the Board of Directors, Francesco Dagnino, with the power to be replaced, in the event of absence or impediment, by Andrea Massimo Maroni. The Board has acknowledged that they meet the professional requirements for carrying out the function of secretary set out in the Board of Directors' regulations, as last amended on the same date, which also establish the powers of the Board secretary.

The Board of Directors of Eurotech, previously in office, most recently on 12 March 2020 - on the basis of a questionnaire sent to 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 option for express comments and proposals - carried out the annual assessment in accordance with Application Criterion 1.C.1, letter g) of the Code in force until 31 December 2020, 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 reference to the composition, in particular, it transpired that (i) the presence of eight non-executive Directors, four of whom were independent non-executive Directors, out of a total of nine Directors, ensured an adequate composition of the Committees set up within the Board of Directors; (ii) the composition of the Board of Directors reflected adequate diversity profiles with regard to aspects such as age, gender composition and educational and professional background.

The self-assessment results showed that the Board effectively had managed the issues for which they were responsible in 2019, with the involvement of all Directors, within a climate of expertise and collaboration on the issues regarding the company. No weaknesses had been identified that would require immediate corrective actions.

On 11 March 2021, the Board of Directors, taking into account the provisions of the new Code in force as from the 2021 financial year, which requires that self-assessment on an annual basis be conducted only in "*large companies other than those with concentrated ownership*" (a category that includes, *inter alia*, companies - of which Eurotech is not a member - whose capitalisation exceeded €1 billion on the last trading day of each of the three previous calendar years), resolved to carry out this activity only in view of the renewal of the Board of Directors.

4.4. *Delegated Bodies*

a) Chief Executive Officer

The Board of Directors, during the meeting held on 4 May 2020, assigned to the Director Roberto Siagri, with free and separate signing authority, all the widest powers - except those that cannot be delegated by law or by the Bylaws and those reserved for the exclusive competence of the Board of Directors - for the ordinary management and administration of the Company, including those indicated in the following list, which is to be considered non-exhaustive, in order to implement and supervise the organisation and management of the company and its subsidiaries and, in particular:

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 on established 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:

- depositing, abandoning, limiting and expanding invention patents for ornamental, utility and industrial models for factory and commercial trademarks in Italy and internationally, protecting them in administrative venues, carrying out all necessary acts pursuant to the laws and regulations in force at the time, appointing correspondents and consultants for this purpose and granting them all necessary powers;
- 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, with the exception of those falling within the competence of the BoD;
- 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 and Collaborators:

- hiring, suspending and dismissing employees, with the exclusion of managers, signing the relevant contracts and agreements, including conciliatory and "protected office" agreements, determining remuneration, consistently with the remuneration policy adopted by the Company and, in any case, not exceeding a GAS, or amounts defined in conciliation, of €100,000 (one hundred thousand/00), defining duties and providing for any performance inherent and consequent to the administration of employment relationships;
- concluding, modifying and terminating collaboration and self-employment contracts, including consultancy contracts, of whatever nature, with a duration of more than 3 years, where there is no provision for free withdrawal by the Company, and/or for a workload for the Company not exceeding €200,000 (two hundred thousand/00) on an annual basis (excluding any VAT);
- representing the Company before trade unions, with the power to settle disputes;
- representing the company in relation to any competent authority, entity, social security institution, competent in labour matters;
- representation of the Company before all social security and insurance institutions, satisfying the obligations imposed by applicable labour laws and regulations;
- implementing the laws and regulations in force at the time regarding safety in the workplace, expressly granting powers of attorney for this purpose.

Contracts of sale and exchange:

- 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 in any case of an amount not exceeding €3,000,000.00 (three million/00) and/or of a duration not exceeding 3 years. Where the amount and/or duration exceeds that indicated, but in any event does not exceed €5,000,000.00 (five million/00) and the duration does not exceed 3 years, (beyond which the Board of Directors shall have exclusive jurisdiction), subject to the express consent of the Chairperson;
- 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 not exceeding €3,000,000.00 (three million/00) and/or for a duration not exceeding three years. Where the amount and/or duration exceeds that indicated, but in any event does not exceed €5,000,000.00 (five million/00) and the duration does not exceed 3 years, (beyond which the Board of Directors shall have exclusive jurisdiction), subject to the express consent of the Chairperson;
- examination, amendment, approval, execution and cancellation of contracts of sale and exchange, including those that envisage the receipt of commissions, of finished and semi-finished products, raw materials and goods for performing corporate activities for an amount not exceeding €3,000,000.00 (three million/00) and/or with a duration not exceeding 3 years. Where the amount and/or duration is greater than that indicated, but in any case not greater than €5,000,000.00 (five million/00) and the duration does not exceed 3 years, (beyond which the Board of Directors has exclusive jurisdiction), subject to the express consent of the Chairperson.

Agency agreements:

- examination, amendment, approval, execution and cancellation of agency, commercial licensing or sub-licensing, commission and bailment agreements.

Company management agreements:

- examination, amendment, approval, execution and cancellation of programmes, proposals and contracts for investments in capital goods, tangible and intangible assets, as per the limits established by the annual budget approved by the Board of Directors and, in any case, up to the amount of:
 - €500,000 (five hundred thousand/00) for each investment in stationary plants;
 - €1,000,000 (one million/00) for each multi-year investment in research and development, acquired from third parties or carried out in-house.
- examination, amendment, approval, execution and cancellation of all the documents and agreements necessary for the management of the Company, other than those specifically mentioned elsewhere in this delegation of authority with a unit value not exceeding €1,500,000/00 (one million five hundred thousand/00) (excluding VAT) and/or with a duration not exceeding three years or, if longer, for which free withdrawal is permitted;
- examination, amendment, approval, execution and cancellation of partnership contracts with Universities and Research Institutes provided that their unit value does not exceed €300,000 (three hundred thousand/00) and/or their duration does not exceed three years;
- 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 (five hundred thousand/00) and with a duration of up to nine years;
- taking out loans and acquiring credit lines with Banks and Post Offices, in Italy and abroad, in all the technical forms available, modifying, approving and terminating loans in euro and/or foreign currency with the power to sign the relative documentation for amounts not exceeding €3,000,000.00 (three million/00) for each loan and/or duration not exceeding 6 years and with the exclusion of transactions with counterparties located in countries included in the black list of the Ministry of Economy and Finance; to have such credit lines, within the limits of the credit lines granted;
- 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 termination of procurement contracts, contracts for tenders in general, including service contracts, work contracts, or similar services, contracts for goods and any inherent and consequent act, other than the contracts contemplated in the preceding points, for an amount not exceeding, for each individual contract, €1,500,000.00 (one million five hundred thousand/00) and/or with a duration exceeding three years;
- 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 (one hundred thousand/00) 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 used by the Company and granting authorisations to drive Company-owned vehicles for employees, directors of the company or third parties.
- the purchase, sale and exchange, up to a limit of € 100,000/00 (one hundred thousand/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 banker's drafts issued, endorsed and collected;

- issuance, receipt and endorsement of bills of exchange; have merchandise notes issued, accepted and endorsed;
- 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:

- negotiation, signing and collection of 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.

Correspondence and other documents:

- signing all company correspondence;
- issuing, signing and providing receipts for invoices, debit and credit memoranda, and receiving them;
- signing and issuing waybills and transport bills, and receiving them.

Collection of receivables:

- 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, registration of court mortgages and claims on merchandise, including the merchandise held at third party locations, and revoking those acts;
- 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.

Special mandates:

- 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.

Specific activities:

- 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;
- representing the Company in performing any activity deemed necessary for attending to relations with investors, financial analysts, the national and international financial community and 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 Board of Directors 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 Director Roberto Siagri also held the position of Chief Executive Officer under the previous Board mandate.

The Director 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 in force until 31 December 2020 does not apply².

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 held on 28 April 2020 appointed Patrizio Mapelli as Chairperson of the Board of Directors of the Company. At the meeting held on 4 May 2020, the Board of Directors resolved to appoint as Vice Chairperson of the Board of Directors Aldo Fumagalli attributing to him the relative powers provided for by legislation and by the Bylaws.

The Chairperson is not the *chief executive officer* of the company.

The Chairperson is not the controlling shareholder of the Issuer.

The Chairperson of the Board Patrizio Mapelli 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:

² In fact, Roberto Siagri is not a director of another issuer, not belonging to the same group as Eurotech, whose *chief executive officer* is a director of the Company.

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 on established 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;
- signing and filing tax returns and declarations.

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

- representing the Company before the Regulatory and Market Authorities (CONSOB and Borsa Italiana primarily, and also abroad, depending on the context), 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.

Specific activities:

- representing the Company in performing any activity deemed necessary for attending to relations with investors, financial analysts, the national and international financial community and the national and international press, and the market;
- defining, coordinating and overseeing the process for the preparation of medium- and long-term business and financial plans, assisting the Chief Executive Officer in the related activities of developing said plans and presenting them to the Board of Directors and other entities;
- defining, coordinating and overseeing the process for the implementation of extraordinary transactions, assisting the Chief Executive Officer in researching, examining, structuring and, once approved by the Board of Directors, implementing all the activities of mergers and acquisitions, ordered to increase the size of the company and/or to create new ancillary and instrumental ones, in any case connected to the company (rather than internally expanding its corporate structures), carrying out extraordinary transactions such as acquisitions of companies, businesses or business units, mergers, creation of joint ventures, contractual or corporate.

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 reported promptly to the Board of Directors and the Board of Statutory Auditors, at least on a quarterly basis, during Board meetings, on the activities carried out in the exercise of the powers delegated to them, on the general operating performance and business outlook, as well as on the most important transactions in terms of their size and characteristics carried out by the Company and its subsidiaries, and in a suitable manner to allow the Directors to express an informed opinion on the matters submitted for examination.

4.5. *Other executive directors*

At the date of this Report, there were no other directors to be considered executive directors in accordance with the Code.

4.6. *Independent Directors*

Pursuant to the combined provisions of Art. 147-ter, paragraph 4, and Art. 148, paragraph 3 of the TUF, in accordance with the provisions of Art. 2.2.3, paragraph 3, letter m) of the Stock Market Regulation and Art. IA.2.10.6 of the Instructions to the Stock Market Regulation - both applicable to issuers with STAR qualification - and in compliance with the Code, there are currently three Independent Directors on the Board of Directors, in the persons of Chiara Mio, Maria Grazia Filippini and Laura Rovizzi, who, without prejudice to that indicated below with reference to Chiara 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 been during the past three financial years 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, or have not had in the previous financial year, directly or indirectly (for example through subsidiaries or companies of which they are significant representatives, in the sense indicated in point (iii) above, or as partners in a professional firm or consultancy company), a significant commercial, financial or professional relationship or employment relationship: (a) with the Company, with one of its subsidiaries, or with any of its significant representatives, in the sense indicated in point (iii) above; (b) with a party which, also jointly with others through a shareholders' agreement, controls the Company, or - in the case of a company or entity - with the significant representatives, in the sense indicated in point (iii) above;
- (v) without prejudice to that indicated in point (iv) above, do not have relationships of an independent or subordinate nature, or other relationships of a financial or professional nature such as to compromise their independence: (a) with the Company, its subsidiaries or parent companies or with companies subject to joint control; (b) with the 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 independence 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 the Corporate Governance Code and Art. 148, paragraph 3, letters 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 the first meeting held after their appointment on 04 May 2020 as communicated to the market on the same date.

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 corporate Bylaws of the Issuer, 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 04 May 2020 - decided not to apply Application Criterion 3.C.1, letter 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), considering that it is in the Company's interest to continue to make use of the high level of professionalism of the aforementioned Director and therefore favouring a profile of substance in the composition of the administrative body and its internal committees.

The Board of Statutory Auditors, pursuant to Application Criterion 3.C.5 of the Corporate Governance Code, verified the correct application of the criteria and procedures used by the Board of Directors to assess the independence of its members during its meeting of 4 May 2020; the results of this audit will be included in the Statutory Auditors' Report 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.

During the Reporting Period, a meeting of the Independent Directors was held on March 2, 2020, during which the activities of the various committees within the Board of Directors were reviewed.

The duration of the meeting was 30 minutes.

4.7. *Lead Independent Director*

Since the requirements set out in the Corporate Governance Code are not met and, in particular, considering that (i) the Chairperson of the Board is not currently also the *chief executive officer* of the company and (ii) the position of Chairperson of the Board of Directors is not held by the person who controls the Issuer, the Board of Directors did not consider it necessary to appoint a *Lead independent director*.

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.

This procedure was updated at the Board of Directors' meeting held on 13 November 2020; in particular, the amendments concerned the definition (i) of the “types of relevant information”, i.e. the type of information that the Company considers potentially relevant as it relates to data, events, projects or circumstances which, on an ongoing, repetitive, periodic, or occasional or unforeseen basis, directly concern the Company and which may, at a later date, be of a privileged nature (“Types of Relevant Information”), as well as (ii) the “relevant information”, i.e. the individual pieces of information that fall within Types of Relevant Information and that, in the opinion of the Company, are actually relevant because they may, at a later date, be of a privileged nature (“Relevant Information”). The procedure envisages that individual pieces of Relevant Information originate mainly from activities carried out by the Company or its subsidiaries and include (i) information received from outside that is relevant; and (ii) information held by the issuer or its subsidiaries that is relevant in combination with public information.

Pursuant to the procedure, the identification and monitoring of the Types of Relevant Information is the responsibility of the so-called “Inside Information Management Function” (FGIP), assigned to the Chief Executive Officer, who relies on the Group Chief Financial Officer and the Investor Relations Manager in carrying out the activities falling within the remit of the FGIP.

The FGIP shall prepare the mapping of the Types of Relevant Information with the assistance of the functions or organisational units identified by the issuer with reference to each Type of Relevant Information and involved, for various reasons, in the handling of Relevant Information or inside information.

The new procedure can be found on the Company's website - www.eurotech.com/it, in the “Investors” section.

Specifically, the press releases required by current laws and regulations regarding inside information are prepared by the *Investor Relations* function assisted by the *Group Chief Financial Officer* and are approved by the Chief Executive Officer or, if they are absent or impeded, by the Chairperson of the Board of Directors, and if the opportunity or need arises, by the Board, for final approval before publication, subject to certification, if the text relates to accounting information, by the Financial Reporting Manager. These press releases are available on the storage mechanism indicated under Section 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 has updated, most recently at the Board meeting on 04 September 2020, the "*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, as well as the aforementioned procedure, is in any case available on the Company's website at www.eurotech.com/it, in the "Investors" section.

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 acting in their name or on their behalf to draw up, manage and update the register of persons with access to inside information, the Company has established, also on behalf of all Eurotech Group companies, the register of persons with access to inside information (as per Art. 115-bis of the TUF and Art. 152-bis et seq. of the CONSOB Issuer Regulation) of the Group, and updated, most recently at the Board meeting on 13 November 2020, the related "*Procedure for managing the Register of persons who have access to inside information*". The new procedure can be found on the Company's website www.eurotech.com/it, in the "Investors" section.

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.

It should be noted that, in accordance with the Code, the Board of Directors appointed by the Shareholders' Meeting of 28 April 2020 resolved to establish a single "Remuneration and Appointments Committee", composed of non-executive directors, the majority of whom are independent, and chaired by an independent director.

The decision to merge the functions of the "Appointments Committee" and the "Remuneration Committee" into a single committee is motivated by organisational and flexibility requirements, also taking into account the actual size of the Board of Directors and the Company.

The functions reserved for each committee have not been reserved for the entire Board of Directors of the Issuer, under the coordination of the Chairperson, in accordance with Application Criterion 4.C.2 of the Code. In addition, the functions reserved for each committee have been assigned exclusively in accordance with the provisions of the Corporate Governance Code.

The committees set up within the Board of Directors have investigative, propositional and consultative duties as regards the Board of Directors in relation to matters for which the need for in-depth examination is particularly required, so that an effective and informed exchange of opinions can take place on such matters.

In carrying out their functions, the committees have access to the information and business operations necessary to carry out their duties and may use external consultants at the Company's expense, within the limits of the *budget* approved by the Board of Directors.

The committees, which report regularly to the Board on the activities carried out, have their own operating regulations (the Related Parties Committee is governed by the Issuer's related procedure). Committee regulations have been approved by the Board of Directors.

The establishment and functioning of the internal committees of the Board of Directors and the distribution of the relative functions shall comply with the criteria laid down in the Code (e.g. composition, minutes of

meetings, company information flows, possibility of using external consultants, participation in meetings for persons who are not members, at the invitation of the Committee, with reference to the individual items on the agenda, functions and duties, etc.).

7. APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee (as established by the Board of Directors appointed by the Shareholders' Meeting of 28 April 2020) is composed of three non-executive directors - two of whom (including the Chairperson) are independent - in the persons of Directors Laura Rovizzi (Chairperson), Maria Grazia Filippini and Susanna Curti. At the time of appointment, the Board of Directors verified as adequate the knowledge and experience in accounting and financial matters and in remuneration policies of the members of the Committee.

Until the Shareholders' Meeting of 28 April 2020, (i) Roberto Siagri (Executive Director), Giulio Antonello (Independent Director) and Chiara Mio (Independent Director and Chairperson) were members of the Appointments Committee, and (ii) Chiara Mio (Chairperson and Independent Director), Riccardo Costacurta (Independent Director) and Giuseppe Panizzardi (Non-Executive Director) were members of the Remuneration Committee.

The rules of the Appointments and Remuneration Committee were adopted by Board resolution on 13 November 2020, partly to bring them into line with the provisions of the new Code in force from 2021.

With regard to the responsibilities regarding the remuneration of directors and *senior management*, the Committee:

- a) proposes the adoption of the policy for the remuneration of directors, members of the control body and *senior management*;
- b) submits proposals or expresses opinions to the Board of Directors on the remuneration of executive directors and other directors who hold special offices, as well as on the setting of *performance* objectives related to the variable component of such remuneration;
- c) monitors the concrete application of the remuneration policy, verifying, in particular, the effective achievement of *performance* objectives.
- d) periodically assesses the adequacy and overall consistency of the policy for the remuneration of directors and *senior management*.

With regard to its responsibility for director appointments and self-assessment, the Committee assists the Board of Directors in the following activities:

- a) self-assessment by the Board of Directors and its Committees;
- b) definition of the optimal composition of the Board of Directors and its Committees;
- c) identification of candidates for the office of director in the event of co-option;
- d) possible presentation of a list by the outgoing Board of Directors, to be carried out in a manner that ensures its formation and transparent presentation;
- e) preparation, updating and implementation of any succession plan for the *chief executive officer* and the other executive directors.

During the Financial Year, a meeting of the Committee (acting purely as the Appointments Committee) was held on 12 March 2020 in which the agenda concerned the examination of the Guidelines for the composition and functioning of the Board of Directors.

The meeting lasted 20 minutes. The work of the Committee was coordinated by its Chairperson, the minutes of the meeting were duly recorded and the Chairperson of the Committee informed the first Board of Directors held. Participation in Committee meetings by non-members was at the invitation of the Chairperson of the Committee.

During the Year, the Committee (acting purely as the Remuneration Committee) held 2 (two) meetings on 2 March and 6 April, the minutes of which were duly recorded. The meetings were aimed at assessing the

achievement of the final balance of the variable Remuneration Plan at the Group level for the 2019 year, the proposals for fixed and variable remuneration for directors and for the chief executive officers for 2020, the confirmation of the remuneration policy and analysis of the remuneration report. 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 30 minutes on average.

As anticipated, the Issuer's Board of Directors, in accordance with the provisions of the Code, in its meeting of 4 May 2020 resolved to merge the Appointments Committee with the Remuneration Committee. During the year, the Remuneration and Appointments Committee held 8 (eight) meetings on 7 May, 9 and 17 July, 4 September, 6, 13 and 27 October, 3 November and 22 December, which were duly minuted. The purpose of the meetings was, *inter alia*, to formulate proposals for the determination of the remuneration of the Chairperson and the members of the internal committees, the remuneration of directors with delegated powers, the analysis and proposal of a short-term *MBO*, as well as *long-term* incentive plans for executive directors and *senior management*. 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.

In the current 2021 financial year, the Committee has met twice.

The executive directors are not members of the Appointments and Remuneration Committee and therefore did not take part in the meetings at which proposals on their remuneration were formulated. Since the Shareholders' Meeting ultimately referred the determination of the remuneration of directors holding special offices to the Board of Directors, pursuant to Art. 2389, paragraph 3, of the Italian Civil Code, the members of the Committee took part in the meetings in which proposals were formulated regarding (also) their remuneration as members of the Committee itself.

In performing its functions, the 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.

During the year, the Committee used a consulting firm to obtain information on market practices regarding remuneration policies, after verifying that this company was not in a situation that could compromise its independence of judgement, and for the remuneration of which the Committee was provided with total resources of €26,500 plus VAT and accessory charges.

8. 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.

For additional 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.

9. CONTROL AND RISKS COMMITTEE

In accordance with Art. 2.2.3, paragraph 3, letter p) of the Stock Market Regulation, applicable to STAR-qualified issuers, and the 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.

The rules of the Control and Risks Committee were adopted by Board resolution on 13 November 2020, partly to bring them into line with the provisions of the new Code in force from 2021. More specifically, this Committee, in assisting the Board of Directors:

- a) assesses, together with the Financial Reporting Officer and consulting the Independent Auditor and the Board of Statutory Auditors, the correct application of accounting policies and their suitability for the preparation of the consolidated financial statements;
- b) assesses the suitability of periodic financial and non-financial information to correctly represent the Company's *business* model, strategies, the impact of its activities and the *performance* achieved;
- c) carries out investigative activities and promotes initiatives, strategies and procedures, as well as *expresses opinions on environmental, social and governance ("ESG") issues, with a view to the Company's sustainable success*;
- d) with prior support in assessing, to the extent of its competence, the existence of the Company's obligations under the applicable *pro tempore* regulations, examines the content of periodic non-financial information relevant to the internal control and risk management system
- d) expresses opinions on specific aspects relating to the identification of the main corporate risks and supports the evaluations and decisions of the Board of Directors relating to the management of risks deriving from prejudicial facts of which the latter has become aware;
- e) discusses with the Internal Audit the evaluation of the internal control and risk management system and, if necessary, examines the periodic reports on topics of particular relevance to the Internal Audit function;
- f) monitors the independence, adequacy, efficacy and efficiency of the Internal Audit function;
- g) may entrust the Internal Audit to perform checks on specific operating areas, giving concomitant communication to the Chairperson of the Board of Statutory Auditors;
- h) 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.

The Board of Directors appointed by the shareholders' meeting of 28 April 2020, during the meeting held on 4 May 2020, appointed the following members of the Control and Risks Committee: Maria Grazia Filippini (Chairperson and Independent Director), Antongiulio Marti (Non-executive Director) and Chiara Mio (Independent Director). All members of the Control and Risks Committee have adequate experience in accounting, finance and risk management, as assessed by the Board of Directors at the time of their appointment.

Until the Shareholders' Meeting of 28 April 2020, in the financial year the Committee was composed of the Directors Chiara Mio (Chairperson and Independent Director), Carmen Pezzuto (Independent Director) and Riccardo Costacurta (Independent Director).

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 6 meetings during the reporting period, on 2 and 11 March, 29 June, 1 September, 10 November and 30 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 one hour on average. The work of the Committee was coordinated by the Chairperson, the meetings were duly minuted and the Chairperson of the Committee informed the first Board of Directors held. 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 internal audit function, the Oversight Committee and with the current Independent Auditor to allow for any critical issues in the respective areas of responsibility to be brought up. Specifically, the Committee has, among other things:

- (a) prepared half-yearly reports to the Board (on the occasion of the approval of the annual and half-yearly financial reports), on the activities carried out as well as on the adequacy of the internal control and risk management system;
- (b) examined the reports of the director in charge of the internal control and risk management system and the Internal Audit Officer, monitoring the Company's main risks;
- (c) examined the impairment test;
- (d) assessed the main critical issues concerning the valuation of the financial statements and the correct use of accounting principles and their consistency for the purposes of preparing the consolidated financial statements;
- (e) expressed its opinion on the appointment of the Internal Audit Officer; as well as on the audit plan for the 2020-2021 financial year.

In the current 2021 financial year, the Committee has met twice. Parties who are not members of the Control and Risks Committee may attend meetings at the invitation of the Committee Chairperson. 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.

During the financial year, the Committee used a consulting firm to carry out specific auditing activities, also for the purpose of assessing the adequacy of the internal control and risk management system, and for the remuneration of which total resources of €40,000 were made available to the Committee.

10. 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 results 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 Art. 11 of Regulation EU 537/2014 on key issues arising from the statutory audit.

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 they have 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 2020 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 2020-2021 period.

Most recently, on 15 March 2021, 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 business characteristics and the risk profile.

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

The Delegated Director:

- (i) identifies the main corporate risks (strategic, operational, financial and compliance), 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 internal rules and procedures in the execution of business operations, notifying the Chairperson of the Board of Directors, the Chairperson of the Control and Risk Committee and the Chairperson of the Board of Statutory 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 4 May 2020, the Board of Directors confirmed the appointment of the Chief Executive Officer, Roberto Siagri, as Delegated Director (in fact, he also held the position during the previous Board term).

10.2. *Internal Audit Officer*

The functions of the Internal Audit Officer, which were carried out by the employee Tania Pinzano until about halfway through the year, have now been assigned to Salvatore De Masi, appointed by the Board of Directors on 29 July 2020 on the proposal of the Delegated Director, subject to the favourable opinion of the Control and Risks Committee and having heard the opinion of the Board of Statutory Auditors. The Internal Audit Officer is not responsible for any operational area and reports hierarchically to the Board, and has adequate requirements of professionalism, independence and organisation; the remuneration of Salvatore De Masi was established consistently with company policies and market standards, in light of the commitment required.

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 prioritizes the main risks;
- (b) to inform, with periodic reports containing adequate information on their activity, on 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;
- (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 to all information useful for performing his 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.

During the year, the Internal Audit Officer reported on their activities to the Board of Directors, 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.

10.3. *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 members of the Oversight Committee, which was appointed by the Board of Directors on 29 July 2020, are Patrizia Stona (Chairperson), Salvatore De Masi and Stefano Fruttarolo. The Oversight Committee members all fulfil the relevant legal requirements.

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 control body, is able to provide more efficient and effective oversight.

The term of office of the Oversight Committee will expire with the approval of the financial statements at 31 December 2020.

10.4. Independent auditor

The Ordinary Shareholders' Meeting of 24 April 2014, upon recommendation by the Board of Statutory Auditors also pursuant to Art. 13 of Legislative Decree 39/2010, assigned auditing of the accounts for the period 2014-2022 to the auditing firm PricewaterhouseCoopers S.p.A.

10.5. 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. They must also be paid adequate compensation.

On 4 May 2020, the Board, after receiving the favourable opinion of the Board of Statutory Auditors, confirmed Sandro Barazza, Head of Administration and Finance, as the Financial Reporting Manager pursuant to and for the purposes of Art. 154-*bis* of the TUF. 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 them, 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 them.

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, measurement, management and monitoring process of the main risks, for the healthy and proper management of the business, in line with pre-set objectives. This system is integrated into the Issuer's more general organisational structure and takes into account the reference models and best practices existing at national and international level.

The definition provided in 1992 by the *Committee of Sponsoring Organizations 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) General operating principles of the internal control and risk management system

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 is intended to mean 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.

10.6. 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.

11. 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 17221 of 12 March 2010, as subsequently amended ("**Related Party Regulation**") and effective starting from 1 January 2011.

As part of the annual review of the Related Parties Procedure, pursuant to Art. 3 of the Procedure itself and in compliance with CONSOB Communication DEM/10078683, published on 24 September 2010, the Board, most recently at its meeting on 13 November 2018, noting the Committee's opinion, approved the new Related Parties Procedure.

The Related Party Procedure and the related annexes can be found in the Investors section of the Issuer's website at www.eurotech.com.

The Company also applies the Related Parties Procedure taking into account the aforementioned CONSOB Communication DEM/10078683 containing indications and guidelines for the application of the Related Parties 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 Parties 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. If they are the Chief Executive Officer, they refrain from carrying out the operation. 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, pursuant to paragraph 5 of the Related Parties Procedure, 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 4 May 2020. Its members are Directors Chiara Mio (as Chairperson), Maria Grazia Filippini and Laura Rovizzi, all of whom are non-executive and 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, receive and analyse 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 three meetings, 2 March, 24 April and 13 November, which were duly minuted. The purpose of the meetings was the analysis of the questionnaires received, the annual assessment of the adequacy of the current Related Parties Procedure and the reporting on the execution of Related Party Transactions. During this year a meeting was held on 5 March 2021.

The meetings lasted 25 minutes on the average.

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

12. 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, paragraph 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 regulation of gender balance in the composition of the control bodies pursuant to Art. 148, paragraph 1-*bis* of the TUF, the new rules on gender balance, which, as is known, increased the quota reserved for the less represented gender from one-third to two-fifths, were applied on the occasion of the

renewal of the Board of Statutory Auditors by the Shareholders' Meeting called to approve the financial statements as at 31 December 2019³.

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. Pursuant to Art. 144-*septies*, paragraph 1, of the CONSOB Issuer Regulation, CONSOB publishes, within 30 days of the end of the financial year, the equity interest required for the presentation of lists of candidates for the election of the management and control bodies. By Management decision 28 of 30 January 2020 of the Head of the Corporate Governance Division, issued in implementation of Art. 144-*septies* of the CONSOB Issuer Regulation, 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 with voting rights⁴.

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 laws or if they fall within the cases referred to in Art. 148, paragraph 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;

³ Please note that, pursuant to Art. 144-*undecies*.1, paragraph 3, of CONSOB Issuer Regulation, if the application of the gender distribution criterion does not result in a whole number of members of the management or control bodies belonging to the least represented gender, this number is rounded up to the next higher unit, with the exception of corporate bodies consisting of three members (as in the case of Eurotech's Board of Statutory Auditors), for which the number is rounded down to the next lower unit.

⁴ By subsequent Management decision 44 of 29 January 2021 of the Head of the Corporate Governance Division, CONSOB confirmed the minimum equity interest for submitting lists of candidates for the election of the Company's control body at 4.5% of the share capital.

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 balance between genders regulations in force 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 their position in the cases envisaged by law and regulation, and when the requirements established in the Bylaws for their 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 balance between genders regulations in force. 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 among 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.

13. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

On 28 April 2020, the Ordinary Shareholders' Meeting appointed the Company's Board of Statutory Auditors, consisting of Fabio Monti, Gaetano Rebecchini and Daniela Savi as Statutory Auditors, and Luigina Zocco 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 2022.

The election took place on the basis of the only list submitted by the shareholder EMERA S.r.l., pursuant to the Bylaws in force and in compliance with the provisions of the Agreement between EMERA S.r.l., Albe

Finanziaria Sr.l., Bluenergy Group S.p.A., Mitica Sr.l., New Industry Sr.l., Luca Cristiana Macchi, Riccardo Benedini, Carolo Brigada, Eloisa Gandolfi, Dante Gandolfi and Manfredi de Mozzi governing, inter alia, the submission of majority lists for the election of Eurotech's corporate bodies by the ordinary Shareholders' Meeting of 28 April 2020; this list obtained 9,498,346 votes in favour, equal to 100.00% of the voting capital (equivalent to 9,498,346 ordinary shares).

Table 3 attached to this Report lists the members of the Board of Statutory Auditors in office until the date of the Ordinary Shareholders' Meeting of 28 April 2020 and 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.

[illegible]

	Brera Advisor S.p.A. - Milan (MI)	Chairperson of the Board of Statutory Auditors
Favaro Gianfranco (In office until 28/04/2020)	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	Deputy Chairperson
	AF Società di Amministrazione Fiduciaria S.p.A.	Director
	I.R.S.E.	Director
	SI.GE.CO Srl	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
	Creactives S.p.A.	Statutory Auditor
	Cospedil 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 Srl	Substitute Statutory Auditor
Briganti Laura (In office until 28/04/2020)	Eurotech S.p.A.	Statutory Auditor until 28.04.2020
	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.	Sole Auditor
	Agrifan S.r.l. a S.U.	Sole Auditor
	D.D. S.r.l.	Sole 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.

Diversity criteria and policies

As regards the composition of the Board of Statutory Auditors in office with regard to aspects such as age, gender composition and educational and professional background (Art. 123-*bis*, paragraph 2, letter d-*bis*) of the TUF), it is specified that: (i) the Company's Board of Directors includes four 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.

As regards the composition of the Board of Statutory Auditors in office with regard to aspects such as age, gender composition and educational and professional background (Art. 123-*bis*, paragraph 2, letter d-*bis*) of the TUF), it is specified that: (i) one Statutory Auditor and one Substitute Auditor belong 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 Auditors is between 34 and 62 years; (iii) without prejudice to compliance with the requirements of professionalism laid down by law, the education

and professional path of the members of the Board of Statutory Auditors currently in office guarantees the appropriate skills to ensure the proper performance of the functions assigned to it.

In this regard, on 11 March 2021, the Board of Directors, at the proposal of the Remuneration and Appointments Committee, approved the policy on the diversity of Eurotech's management and control bodies pursuant to Art. 123-*bis*, paragraph 2, letter d-*bis*) of the TUF (the "**Diversity Policy**"), published on the Company's website www.eurotech.com (Investors section").

With reference to the content and objectives of the Diversity Policy in relation to the composition of the Board of Statutory Auditors, Eurotech believes that:

- (i) with a view to striking a balance between sound experience and facilitating its development, there should also be diversity of age with regard to the members of the control body;
- (ii) with regard to gender composition, the new mandatory provisions of law on gender balance in the control bodies of listed companies - Art. 148 of the TUF - have raised the quota reserved for the lesser represented gender from one third to two fifths of the effective members of the Board of Statutory Auditors, without prejudice to the fact that in the case of a Board of Statutory Auditors comprising three statutory members - as provided for in Eurotech's Bylaws - a composition of the Board of Statutory Auditors reserving a quota of one third of the statutory members to the lesser represented gender complies with current legislation;
- (iii) in order to ensure the integration of a plurality of skills, it may be appropriate to have persons with different skills and educational and professional backgrounds on the control body.

In order to facilitate the effectiveness of the control function, it would also be appropriate for at least one auditor to have previous experience in supervisory activities in the high-tech sector in which the Company operates.

With regard to the implementation of the Diversity Policy, the main purpose of this document is to provide guidelines for the preparation by the Board of Directors, also taking into account the results of the self-assessment process, of a report to the shareholders on the best quantitative and qualitative composition, ahead of the Shareholders' Meetings convened from time to time to renew the management and control bodies. Eurotech shareholders are therefore the ultimate recipients of the indications contained in the Diversity Policy.

The Diversity Policy can also serve as a useful reference point for the Appointments Committee and the Board of Directors (i) when it becomes necessary to replace a member of the Board of Directors by co-opting a new member, as allowed under Art. 2386 of the Italian Civil Code - without prejudice to compliance with the provisions of the Bylaws in this regard - or (i) in the context of the establishment of internal board committees.

With reference to the results of the Diversity Policy, Eurotech's Board of Directors monitors the results deriving from its implementation and assesses, with the support of the Appointments Committee, any need to update it, taking into account applicable legislation, the Code and Eurotech's characteristics.

Without prejudice to the recent enactment of the Diversity Policy, the Issuer believes that the composition of the current Board of Statutory Auditors is consistent with the same.

The Board of Statutory Auditors held 11 (eleven) meetings during the financial year

The average meeting duration was about 3 hours and 38 minutes.

In the current year, the Board met 3 times.

At its meeting held on 13 February 2020 and on 4 May 2020 following its appointment, 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.

Any Statutory Auditor who, on their 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, pursuant to the applicable legislation, are audited by a qualified Independent Auditor or firm of auditors (on point see *supra* Section 11.4).

It should be noted that Legislative Decree 39/2010, as last amended by Legislative Decree 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 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 537/2014, where available;
- verifying and monitoring the independence of the statutory auditors or firm of auditors in accordance with Art. 10, 10-*bis*, 10-*ter*, 10-*quater* and Art. 17 of Legislative Decree 39/2010 and Art. 6 of Regulation 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 Art. 16 of Regulation 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 the aforementioned Legislative Decree 39/2010, during the course of the financial year, information was exchanged, including by taking part in specific meetings with the Independent Auditors and the Oversight Committee.

14. 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.

In this regard, 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., paragraph 3, letter 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.

The disclosure of information is also ensured by making available in a timely manner in a specific section of its website all relevant corporate documents concerning the Issuer, and which are relevant to the shareholders. 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.

In addition, the Issuer's website contains the Company Bylaws, documentation provided for Shareholders' Meetings, communications related to Internal Dealing, this Report on corporate governance and any other document whose publication 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.

15. 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 video-conference 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 trading days prior to the date of the Shareholders' Meeting on first or single call, or the record date pursuant to Art. 83-sexies, paragraph 2, of the TUF (end of the accounting day of the seventh trading 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 as per Application Criterion 9.C.3.

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, confirming the presence of a quorum of shareholders necessary for valid resolution, managing its progress, establishing the methods for voting and monitoring the results of said voting.

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 28 April 2020, 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 2020, 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 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.

16. 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.

17. 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.

18. CONSIDERATIONS ON THE LETTER OF 22 DECEMBER 2020 FROM THE CHAIRPERSON OF THE CORPORATE GOVERNANCE COMMITTEE

The letter dated 22 December 2020 addressed by 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 Board of Directors (and the Board of Statutory Auditors) of the Issuer at their meeting on 11 March 2021, as well as the Appointments and Remuneration Committee and the Control and Risks Committee on 9 March and 8 March 2021.

The Board has taken note of the analyses and recommendations contained in the letter and acknowledged the overall adequacy of the Company with regard to the indications concerning (i) the inclusion of the sustainability of the business activity in the definition of strategies, the internal audit and risk management system (underlining the opportunity for sustainability to become an integral element of such system) and the remuneration policy, (ii) the pre-meeting disclosure, (iii) the application of the independence criteria (among other things, the Board intends to define ex ante (iii) the application of the independence criteria (as the Board intends, inter alia, to define ex ante - during the year - the quantitative and/or qualitative criteria to be used for the assessment of the significance of the relationships under review with regard to independence); (iv) the self-assessment (it should be noted that the assessment of the Board's contribution to the definition of strategic plans may be subject to an in-depth analysis during the self-assessment, which will be carried out upon expiry of the Board's term of office); the appointment and succession of Directors; as well as the issues related to remuneration policies.

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. By Code	Indip. From TUF	(%) **	Number of other positions ***	****	**	****	**	****	**	****	**	****	**
Chairperson	Patrizio Mapelli	1955		28/04/2020	Approval of financial statements at 31/12/2022	M		X			100	5										
Director and Chief Executive Officer	Roberto Siagri	1960	30/09/1992	28/04/2020	Approval of financial statements at 31/12/2022	M	X				100	9					X	100				
Director	Chiara Mio	1964	05/05/2008	28/04/2020	Approval of financial statements at 31/12/2022	M		X	X	X	100	8	X	100	X	100	X	100			X	100
Director	Curti Susanna	1969	13/11/2019	28/04/2020	Approval of financial statements at 31/12/2022	M		X			100	8			X	100	X	100				
Director and Deputy Chairperson	Fumagalli Aldo	1959	13/11/2019	28/04/2020	Approval of financial statements at 31/12/2022	M		X			100	7										
Director	Marti Antongiulio	1984	13/11/2019	28/04/2020	Approval of financial statements at 31/12/2022	M		X			100	2	X	100								
Director	Costaguta Marco	1959	28/04/2020	28/04/2020	Approval of financial statements at 31/12/2022	M		X	X	X	86	10										
Director	Filippini Maria Grazie	1964	28/04/2020	28/04/2020	Approval of financial statements at 31/12/2022	M		X	X	X	100	0	X	100	X	100	X	100			X	100
Director	Rovizzi Laura	1964	28/04/2020	28/04/2020	Approval of financial statements at 31/12/2022	M		X	X	X	86	2			X	100	X	100			X	100
-----DIRECTORS DEPARTED IN THE REPORTING PERIOD-----																						
Position	Surname Name																					
Director	Dino Paladin	1954	24/04/2014	26/04/2017	28/04/2020	M		X			100	2										
Director	Riccardo Costacurta	1961	24/04/2014	26/04/2017	28/04/2020	M		X	X	X	100	0	X	100	X	100						
Director	Carmen Pezzuto	1967	26/04/2017	26/04/2017	28/04/2020	M		X	X	X	100	33	X	100							X	100
Director	Giulio Antonello	1968	24/04/2014	26/04/2017	28/04/2020	M		X	X	X	83	4			x	100	X	100			X	100
Number of meetings held during the year: Control and risks committee: 5 Remuneration Committee: 2 Appointments Committee: 1 Remuneration and Appointments Committee: 9 Executive Committee: / Related Party Transactions Committee 3																						
Specify the quorum required for presentation of the lists by the minority interest for election of one or more members (Bylaws or pursuant to Art. 147-ter of the TUF): 4.5%																						

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	Fabio Monti	1959	28/04/2020	28/04/2020	Approval of financial statements at 31/12/2022	M	X	100%	2
Statutory Auditor	Daniela Savi	1970	28/04/2020	28/04/2020	Approval of financial statements at 31/12/2022	M	X	100%	2
Statutory Auditor	Rebecchini Gaetano	1987	26/04/2017	28/04/2020	Approval of financial statements at 31/12/2022	M	X	100%	8
-----STATUTORY AUDITORS DEPARTED IN THE REPORTING PERIOD-----									
Chairperson	Favaro Gianfranco	1954	24/01/2014	28/04/2020	Approval of financial statements at 31/12/2019	M	X	100%	0
Statutory Auditor	Briganti Laura	1961	24/04/2014	28/04/2020	Approval of financial statements at 31/12/2019	M	X	100%	0
Indicate the quorum required for the presentation of lists at the last appointment 4.5%									
Number of meetings held during the year: 11									

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 Art. 144- *quinquiesdecies* et seq. of the CONSOB Issuer Regulation

Consolidated financial statements at 31 December 2020 prepared according to international accounting standards

Consolidated statement of financial position

(€'000)	Notes	at December 31, 2020	of which related parties	at December 31, 2019	of which related parties
ASSETS					
Intangible assets	1	86,775		88,905	
Property, Plant and equipment	2	6,468		6,565	
Investments in other companies	3	533		162	
Deferred tax assets	31	7,478		7,981	
affiliates companies and other Group companies	32	57	57	89	89
Other non-current assets	4	661		665	
Total non-current assets		101,972		104,367	
Inventories	5	17,393		21,256	
Trade receivables	6	16,441		11,707	
Income tax receivables	7	900		269	
Other current assets	8	1,665		2,115	
Other current financial assets	10	125	1	108	15
Cash & cash equivalents	9	41,222		30,687	
Total current assets		77,746		66,142	
Total assets		179,718		170,509	
LIABILITIES AND EQUITY					
Share capital		8,879		8,879	
Share premium reserve		136,400		136,400	
Other reserves		(26,415)		(20,623)	
Group shareholders' equity	12	118,864		124,656	
Equity attributable to minority interest	12	-		-	
Total shareholders' equity	12	118,864		124,656	
Medium-/long-term borrowing	14	23,874		11,590	
Employee benefit obligations	15	2,918		2,604	
Deferred tax liabilities	31	3,166		3,097	
Other non-current liabilities	17	1,342		1,060	
Total non-current liabilities		31,300		18,351	
Trade payables	18	10,647	345	11,562	0
Short-term borrowing	14	8,901		7,001	
Derivative instruments	34	81		44	
Income tax liabilities	7	810		1,182	
Other current liabilities	19	9,115		7,713	
Total current liabilities		29,554		27,502	
Total liabilities		60,854		45,853	
Total liabilities and equity		179,718		170,509	

Consolidated income statement

	Notes	FY 2020	of which related parties	FY 2019	of which related parties
<i>(Migliaia di Euro)</i>					
Revenues from sales of products and services	F	69,259	3	101,973	326
Other revenues	26	379		1,135	
Cost of materials	21	(32,741)	-	(50,022)	-
Service costs	23	(12,150)	(421)	(13,204)	-
Lease & hire costs		(404)		(338)	
Payroll costs	24	(20,095)		(20,383)	
Other provisions and other costs	25	(1,099)		(1,077)	
Cost adjustments for in-house generation of non-	27	3,483		2,451	
Depreciation & amortisation	28	(4,042)		(3,914)	
Asset impairment	28	(151)		(10)	
Operating profit		2,439		16,611	
Subsidiaries management	30	61		-	
Finance expense	29	(1,461)		(1,002)	
Finance income	29	793	4	516	3
Profit before taxes		1,832		16,125	
Income tax	31	(1,700)		3,117	
Net profit (loss)		132		19,242	
Minority interest		-		-	
Group net profit (loss) for period		132		19,242	
Base earnings (losses) per share	13	0.004		0.554	
Diluted earnings (losses) per share	13	0.004		0.554	

Consolidated statement of comprehensive income

(€'000)	Notes	FY 2020	FY 2019
Net profit (loss) before minority interest (A)		132	19,242
<i>Other elements of the statement of comprehensive</i>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net profit/(loss) from Cash Flow Hedge	34	(37)	(24)
Tax effect		-	-
		(37)	(24)
Foreign balance sheets conversion difference		(2,767)	2,001
Exchange differences on equity investments in foreign companies	12	(3,453)	725
Tax effect		-	-
		(3,453)	725
<i>After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)</i>		<i>(6,257)</i>	<i>2,702</i>
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains/(losses) on defined benefit plans for employees	15	(152)	(136)
Tax effect		43	30
		(109)	(106)
<i>After taxes net other comprehensive income not being reclassified to profit or loss in subsequent periods (C)</i>		<i>(109)</i>	<i>(106)</i>
Comprehensive net result (A+B+C)		(6,234)	21,838
Comprehensive minority interest		-	-
Comprehensive Group net profit (loss) for period		(6,234)	21,838

Consolidated statement of changes in 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, 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
<i>Comprehensive other profit (loss):</i>														
- Hedge transactions	34	-	-	-	-	-	(24)	-	-	-	-	(24)	-	(24)
- Actuarial gains/(losses) on defined benefit plans for employees	15	-	-	-	-	-	-	(106)	-	-	-	(106)	-	(106)
- Foreign balance sheets conversion difference		-	-	-	2,001	-	-	-	-	-	-	2,001	-	2,001
- Exchange differences on equity investments in foreign companies		-	-	-	-	-	-	-	725	-	-	725	-	725
Total Comprehensive result		-	-	-	2,001	-	(24)	(106)	725	-	19,242	21,838	-	21,838
- Performance Share Plan	16	-	-	-	-	(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

(€'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, 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 December 31, 2020		-	-	-	-	-	-	-	-	-	132	132	-	132
<i>Comprehensive other profit (loss):</i>														
- Hedge transactions	34	-	-	-	-	-	(37)	-	-	-	-	(37)	-	(37)
- Actuarial gains/(losses) on defined benefit plans for employees	15	-	-	-	-	-	-	(109)	-	-	-	(109)	-	(109)
- Foreign balance sheets conversion difference		-	-	-	(2,767)	-	-	-	-	-	-	(2,767)	-	(2,767)
- Exchange differences on equity investments in foreign companies	12	-	-	-	-	-	-	-	(3,453)	-	-	(3,453)	-	(3,453)
Total Comprehensive result		-	-	-	(2,767)	-	(37)	(109)	(3,453)	-	132	(6,234)	-	(6,234)
- Performance Share Plan	16	-	-	-	-	91	-	-	-	351	-	442	-	442
Balance as at December 31, 2020		8,879	1,776	136,400	11,457	(39,574)	(81)	(640)	1,197	(682)	132	118,864	-	118,864

Consolidated cash flow statement

CONSOLIDATED STATEMENT OF CASH FLOWS (€'000)	Notes	at December 31, 2020	of which related parties	at December 31, 2019	of which related parties
CASH FLOWS GENERATED BY OPERATIONS:					
Group net profit (loss) for period		132		19,242	
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:					
Depreciation & amortization intangible assets, property, plant and equipment	28	4,193		3,924	
Write-down of receivables	7	98		140	
Interest income	29	(5)		(28)	
Interest expenses	29	485		560	
Gain on business unit disposals and investments in associates	30	(61)		-	
Income taxes (paid) get		(1,336)		(2,362)	
Income taxes of the period	31	1,700		(3,117)	
Stock Grant expenses	16	442		776	
Provision for (use of) cumulative inventory write-down	5	(183)		525	
Provision for (use of) long-term employee severance indemnities	15	205		33	
Provision for (use of) risk provision	17	282		278	
Changes in current assets and liabilities					
Trade receivables	6	(5,090)	(1)	2,213	1,000
Other current assets	7/8	(198)		136	
Inventories and contracts in process	5	3,067		704	
Trade payables	18	(504)	345	(3,097)	(132)
Other current liabilities	7/19	161		982	
Total adjustments and changes		3,256		1,667	
Cash flow generated (used) in operations		3,388		20,909	
CASH FLOW FROM INVESTMENT ACTIVITIES:					
Sales of tangible and intangible assets	1/2	2		27	
Interest income	29	5		28	
Purchase of intangible fixed assets	1	(4,270)		(3,055)	
Purchase of tangible fixed assets	2	(506)		(1,290)	
Achivement from investments in other companies		80		-	
Decreases (Increases) other financial assets	10	(17)		(4)	
Net investments in long-term investments and non-current assets		(386)		(13)	
Cash flow generated (used) in investment activities		(5,092)		(4,307)	
CASH FLOW FROM FINANCING ACTIVITIES:					
Loans taken	14	20,972		13,725	
(Increases) decreases of loans to other Group companies	32	24	24	-	0
Interest paid	29	(485)		(560)	
(Repaid) loans short and medium/long term	14	(7,055)		(12,321)	
Cash flow generated (absorbed) by financial assets		13,456		844	
Net foreign exchange difference		(1,217)		45	
Increases (decreases) in cash & cash equivalents		10,535		17,491	
Opening amount in cash & cash equivalents	9	30,687		13,196	
Cash & cash equivalents at end of period	9	41,222		30,687	

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 2020 was authorised by resolution of the Board of Directors on 15 March 2021. Eurotech S.p.A. is a joint stock company incorporated and domiciled in Italy. The Group has its registered office in Amaro (Udine), 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 blocks of solutions 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 Art. 6 of EC Regulation no. 1606/2002 of the European Parliament and European Council of 19 July 2002 by 31 December 2020, as well as to the measures enacted to implement Art. 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 2020.

The standards, amendments and interpretations that became effective on 1 January 2020. The application of these standards had no particular impact on the consolidated financial statements of the Group since they regulate matters not present, or affect only financial reporting:

Business Combinations - IFRS 3 - On 22 October 2018, the IASB published amendments to IFRS 3 with the aim of identifying criteria by which an acquisition refers to a company or to a group of activities that, as such, do not meet the definition of a business as indicated in IFRS 3.

Amendments to IAS 1 and IAS 8 - On 31 October 2018, the IASB published amendments to IAS 1 and IAS 8 that clarified the definition of “material” to establish whether or not a disclosure should be included in the financial statements.

Amendments to References to the 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 references existing in various accounting standards and interpretations that are now superseded.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) - On 26 September 2019, the IASB published the Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) to take into account the consequences of the reform on financial reporting and so that businesses can continue to comply with the provisions by assuming that existing interest rate benchmarks do not change as a result of the interbank rates reform.

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.

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

The new standards and interpretations already issued and endorsed by the European Union, applicable to financial statements for years beginning after 1 January 2020, are illustrated below.

Amendment to IFRS 16 Leases - COVID-19-Related Rent Concessions - On 28 May 2020, the IASB issued this document, which provides a practical expedient allowing lessees to not consider concessions arising as a direct consequence of the COVID-19 pandemic as changes in the lease contract. The amendment became effective from financial years beginning on or after 1 June 2020. Early adoption is permitted, also in financial statements not yet approved at 28 May 2020. The company did not adopt the standard early.

Amendments to IFRS 9, IAS 39, IFRS 7 IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform, Phase 2 - These amendments published by the IASB on 27 August 2020 concern the reform of the reference indices for determining interest rates. These amendments shall become effective from 1 January 2021.

The new standards, amendments and interpretations already issued but not yet endorsed by the European Union and applicable to the financial statements for years beginning after 1 January 2020 are also briefly illustrated.

Amendments to IAS 1 - On 23 January 2020, the IASB issued the document to clarify the requirements for classifying liabilities as current or non-current. These amendments will become effective from 1 January 2023, following deferment of the date of entry into force due to the COVID-19 pandemic.

Amendments to IFRS 3 - On 14 May 2020, the IASB issued this document to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. These amendments will become effective from 1 January 2022.

IAS 16 - Property, plant and equipment - On 14 May 2020, the IASB issued the document to make changes that forbid a company to deduct from the cost of an item of property, plant and equipment any income from sale of items produced while the company is preparing the asset for its intended use. Revenues from sales and related costs must be recognised in the Income Statement. These amendments will become effective from 1 January 2022.

IAS 37 - Provisions, contingent liabilities and contingent assets - On 14 May 2020, the IASB issued the document to specify which costs must be included in assessing whether a contract is impaired. These amendments will become effective from 1 January 2022.

Annual Improvements to the IFRSs - 2018-2020 Cycle - On 14 May 2020, 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 recently introduced to the IFRSs. The annual improvements make slight changes to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and the illustrative examples accompanying IFRS 16 "Leases". These improvements are applicable from 1 January 2022.

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 policies 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.

As at 31 December 2020, the book value of goodwill was €69,219 thousand (2019: €72,980 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 tax assets 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.

As at 31 December 2020, 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 €29.6 million (2019: €24.8 million), reported unlimitedly. In the Group as a whole, unrecognised tax losses and ACE came to €34.7 million (2019: €27.0 million), reported unlimitedly.

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. As at 31 December 2020, the best estimate of the book value of capitalised development costs was €7,369 thousand, of which €3,762 thousand are in progress (2019: €6,414 thousand, of which €2,724 thousand 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 and depreciation, 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.

Moreover, with regard to the estimates on the effects of COVID-19, the company has taken the necessary steps to keep the company safe but any new worsening of the pandemic also determined by the development of uncontrolled variants as well as an adoption of the vaccines could have an impact in economic, equity and financial terms on the Group, the effects of which, due to the uncertainty of the event, are currently not quantifiable.

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 as at 31 December 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 fair value</i>			
Kairos Autonomi Inc.	Sandy – UT (USA)		19.00%
Interlogica S.r.l.	Mestre (VE)		10.00%

There were no changes with regard to subsidiaries and affiliates compared to 31 December 2019.

The only change among equity investments concerns the subscription in July 2020 of 10% of the share capital of the company Interlogica S.r.l.

The consolidated financial statements at 31 December 2020 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 Shareholders' 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, prepared 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 2020	As of December 31, 2020	Average 2019	As of December 31, 2019
British pound sterling	0.88970	0.89903	0.87777	0.85080
Japanese Yen	121.84576	126.49000	122.00577	121.94000
USA Dollar	1.14220	1.22710	1.11948	1.12340

Accounting policies

The accounting standards and policies applied to draft the Consolidated Financial Statements for the year ended 31 December 2020 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 measured at fair value. 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 they 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 equity method. Goodwill relating to the associate is included in the book value of the equity investment 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 investment 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 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 at FVOCI". For equity investments measured at FVOCI, impairment is never recognised in the income statement, or the accumulated profits or losses if the equity 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 contracts 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 "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 Income statement.

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 portion, 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 shareholders’ 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.

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 employee 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 liabilities for decommissioning.

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

A contract, or part thereof, is classified as a lease if, in exchange for a consideration, it confers the right to control the use of a specified asset for a period of time, therefore, if along the entire period of use of the asset, the following rights can be exercised:

- a) the right to obtain substantially all the economic benefits deriving from the use of the asset; and
- b) the right to decide on the use of the asset.

In the event of a change in the terms and conditions of the contract, a new assessment is carried out to determine whether the contract is or contains a lease.

The Group does not apply these rules to:

- leases of intangible assets;
- short-term leases (duration of less than or equal to 12 months);
- leases in which the underlying asset is of modest value (assets with a unit value of less than or equal to €5 thousand).

Once it has been verified whether a contract is a lease, the asset consisting of the right of use and the liability of the lease are recognised at the effective date of the contract.

The initial measurement of the right-of-use asset is at cost, which includes:

- a) the amount of the initial measurement of the lease liability;
- b) the payments made for the lease on or before the effective date, net of any lease incentives received;
- c) the initial direct costs incurred by the lessee; and

The initial measurement of the lease liability takes place at the current value of the payments due for the lease and not yet paid at that date. Payments due for leases are discounted using the company-specific WACC.

The lease term is determined as the non-cancellable period of the lease, to which both the following periods must be added:

- a) periods covered by a lease extension option, if there is a reasonable certainty that the option will be exercised; and
- b) periods covered by the lease termination option, if there is a reasonable certainty that the option will not be exercised.

The duration of the lease is redetermined in the event of a change in the non-cancellable period of the lease. After the initial recognition date, the asset is valued by applying the appropriate cost model. Assets consisting of the right of use are amortised from the effective date until the end of the lease term.

After the effective date, the lease liability is measured:

- a) by increasing the book value to take into account interest on the lease liability;
- b) by decreasing the book value to take into account the payments made for the lease;
- c) by restating the book value to take into account any new valuations or amendments to the lease or a revision of payments due for the lease.

Interest on the lease liability and the variable payments due for the lease, not included in the measurement of the lease liability, are recognised in the income statement of the year in which the event or circumstance that triggers the payments occurs.

In the financial statements, the right-of-use assets are shown separately from the other assets, the lease liabilities are shown separately from the other liabilities, the interest expense on lease liabilities is recognised as financial expense and separately from the amortisation portion of the asset consisting of the right of use.

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 revenues are 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 revenues are 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 contracts "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 contract for its entire life exceed the total revenues 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 taxes

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 deductible temporary differences and 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 tax 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 financial statements or income or loss calculated for tax 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.

Deferred tax assets and liabilities related to items posted to equity are directly recognised in shareholders' 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 taxes 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 geographical basis. The geographical 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 geographical areas are defined according to the localisation of Group assets and operations. They 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.

	North America			Europe			Asia			Correction, reversal and elimination			Total		
	FY 2020	FY 2019	% YoY Change	FY 2020	FY 2019	% YoY Change	FY 2020	FY 2019	% YoY Change	FY 2020	FY 2019	% YoY Change	FY 2020	FY 2019	% YoY Change
Third party Sales	25,451	47,907		19,807	27,312		24,001	26,754		0	0		69,259	101,973	
Infra-sector Sales	720	900		2,931	7,408		483	1,117		(4,134)	(9,425)		0	0	
Total Sales revenues	26,171	48,807	-46.4%	22,738	34,720	-34.5%	24,484	27,871	-12.2%	(4,134)	(9,425)	56.1%	69,259	101,973	-32.1%
Gross profit	10,772	20,330	-47.0%	11,521	16,432	-29.9%	14,598	15,919	-8.3%	(373)	(730)	-48.9%	36,518	51,951	-29.7%
Gross profit margin - %	41.2%	41.7%		50.7%	47.3%		59.6%	57.1%					52.7%	50.9%	
EBITDA													3,207	20,535	-84.4%
EBITDA margin - %													4.6%	20.1%	
EBIT													2,439	16,611	-85.3%
EBIT margin - %													3.5%	16.3%	

The sales performance broken down by geographic area set out in the table above shows a decrease in all reference areas.

The table below shows assets and investments in the Group’s individual business segments at 31 December 2020 and 31 December 2019.

	North America		Europe		Asia		Correction, reversal and elimination		Total	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Assets and liabilities										
Segment assets	41,588	48,187	99,659	88,790	75,910	76,614	-37,972	-43,244	179,185	170,347
Investments in subsidiaries non consolidated, associate & other companies	107	117	426	45	0	0	0	0	533	162
Total assets	41,695	48,304	100,085	88,835	75,910	76,614	-37,972	-43,244	179,718	170,509
Segment liabilities	39,704	46,865	42,972	27,577	16,056	14,618	-37,878	-43,207	60,854	45,853
Total liabilities	39,704	46,865	42,972	27,577	16,056	14,618	-37,878	-43,207	60,854	45,853
Other segment information										
Investments in tangible assets	877	379	920	348	132	563	0	0	1,929	1,290
Investments in intangible assets	687	246	2,782	2,618	896	337	-95	-146	4,270	3,055
Depreciation & amortisation	770	949	2,341	1,794	1,151	1,259	-69	-78	4,193	3,924

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	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Purchase or production cost	14,226	80,976	22,252	3,286	28,985	149,725
Previous years' impairment	(778)	(7,996)	(8,012)	(56)	-	(16,842)
Previous years' amortisation	(9,758)	-	(5,235)	-	(28,985)	(43,978)
OPENING BALANCE	3,690	72,980	9,005	3,230	-	88,905
Purchases	100	-	624	3,546	-	4,270
Disposals	(1,095)	-	(14)	-	-	(1,109)
Other changes	(219)	(4,308)	(1,013)	(72)	(594)	(6,206)
Impairment in period	(91)	-	-	-	-	(91)
Transfers	1,660	-	507	(2,167)	-	-
Amortisation in period	(1,726)	-	(405)	-	-	(2,131)
Reversal of cumulative amortisation	1,095	-	14	-	-	1,109
Other changes in cumulative impairment	6	547	555	-	-	1,108
Other changes in cumulative amortisation	187	-	139	-	594	920
TOTAL CHANGES	(83)	(3,761)	407	1,307	-	(2,130)
Purchase or production costs	14,672	76,668	22,356	4,593	28,391	146,680
Impairment	(863)	(7,449)	(7,457)	(56)	-	(15,825)
Cumulative amortisation	(10,202)	-	(5,487)	-	(28,391)	(44,080)
CLOSING BALANCE	3,607	69,219	9,412	4,537	-	86,775

The change in exchange rates represented in the item other changes, whose net value is negative for €4,178 thousand, is the main effect that determines a net decrease in intangible assets. In fact, the decrease in intangible assets due to the exchange rate is higher than the net effect of investments and amortisation for the year. Investments in 2020 amounted to €4,270 thousand; amortisation and write-downs totalled €2,232 thousand.

Investments refer primarily to the recognition of development internal and external costs incurred by the Group companies for the implementation of the new ICT system and the costs for the purchase of new software licenses.

Other changes refer to the exchange differences accrued on the opening balances of the values expressed in foreign currency, particularly the “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 2020, the Group also spent about €7.6 million for research and development of numerous projects regarding product and process innovations that will allow, also in the future, to maintain the Group competitive in the high technology segments.

The trademarks item was partially written down in 2008 to reflect the decision made by the management of Eurotech to no longer use the ADS and Arcom trademarks commercially, but to continue to retain their ownership for possible future use.

Therefore, the “Advanet” trademark is still valued at the time of acquisition of the Advanet Group and it continues to be 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 2020, following the impairment test, it was not deemed necessary to write down the goodwill and no write-downs were made in 2019. Despite the fact that in 2020 the results expected at the beginning of the year in the initial phase of the COVID-19 pandemic were achieved, analysing the market conditions in which the company operates, it is currently believed that there are no risks of impairment that may generate a possible write-down of the goodwill of 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 new 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 under construction” item of €4,537 thousand comprises development costs for €3,762 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 costs related to the implementation of the new information system for €775 thousand, which went live in some companies of the Group on 1 January 2021.

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, 2020		at December 31, 2019	
	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Cash generating units				
Advanet Inc.	44,088	8,372	45,733	8,684
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	19,998	-	21,838	-
Eurotech Ltd. (ex Arcom Ltd.)	4,857	-	5,133	-
Eurotech France S.a.s.	186	-	186	-
Other	90	-	90	-
TOTAL	69,219	8,372	72,980	8,684

The recoverable values 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 2021-2025 operating and financial plan, approved by Parent Company directors by resolution of 11 March 2021, were used to calculate the relative value, while the cash flows beyond the specified time horizon as 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.

The growth rate “g” used to calculate terminal value was 1.5% (2019: 1.5%), less than the average long-term growth rate forecast 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 5.89% to 11.21%, 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	2.32%	0.00%	1.51%	1.29%	0.60%
Total Market Premium	5.50%	6.20%	5.60%	6.20%	5.80%
Beta unlevered	from 0.96 to 1.00	from 0.96 to 1.00	from 0.96 to 1.00	from 0.96 to 1.00	from 0.96 to 1.00
WACC	from 7.49% to 11.21%	from 5.89% to 9.6%	from 6.81% to 10.52%	from 7.16% to 10.89%	from 6.14% to 9.82%

Regarding the risk free, the average yields for 2020 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), re-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. with AAA rating).

The unlevered beta used differs slightly between the business Board&Systems 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 2021-2025 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.

With regard to the values relative to the IoT business line, the highest WACC was used on all the CGUs by virtue 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.

In carrying out the impairment test, the Group made various assumptions to acquire evidence of which events could lead to impairment.

Other conditions being equal, the WACC of the Terminal Value that would bring about an impairment should be equal to or higher than 16.6% for Eurotech Ltd., 25.1% for Eurotech Inc. and 10.2% for Advanet Inc.

Acknowledging that, on the basis of the phase of expansion in which the individual CGUs are still, the terminal values are significant (up to 90% of the "value in use"), some assumptions of a significant reduction in EBITDA values were also analysed versus other balance sheet items of the previous year and/or of the years included in the plan. It emerged that, in the Advanet CGU, only a limited growth of 30% in the EBITDA of the last year of the plan compared to the current results obtained, would entail a non-recoverability of the invested capital; with reference to the Eurotech Inc. CGU, the impairment test would give rise to problems if, in the last year of the plan, EBITDA were lower than the current values by around 30%. In the CGU relating to Eurotech Ltd., impairment risks would arise only if, again in 5 years, it was not possible to reach an amount of EBITDA higher than €1 million.

Furthermore, management believes that the long-term growth estimate for 2020 of 1.5%, the same as for 2019, 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 CONSTRUCTI ON & ADVANCES	RIGHT OF USE ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
Purchase of production cost	1,686	5,888	5,349	5,872	35	5,497	24,327
Depreciation	(41)	-	-	-	-	-	(41)
Previous year's depreciation	(597)	(5,644)	(4,957)	(5,039)	-	(1,484)	(17,721)
OPENING BALANCE	1,048	244	392	833	35	4,013	6,565
Purchases	671	28	203	151	31	845	1,929
Disposals	-	-	(76)	(16)	-	(25)	(117)
Other changes	(1)	(148)	(159)	(206)	(33)	(215)	(762)
Impairment in period	(60)	-	-	-	-	-	(60)
Transfers	491	-	-	-	-	(491)	-
Depreciation in period	(55)	(67)	(175)	(239)	-	(1,375)	(1,911)
Reversal of cumulative depreciation	-	-	76	16	-	23	115
Other changes in cumulative amortisation	-	170	151	179	-	209	709
TOTAL CHANGES	1,046	(17)	20	(115)	(2)	(1,029)	(97)
Purchase or production cost	2,847	5,768	5,317	5,801	33	5,611	25,377
Depreciation	(101)	-	-	-	-	-	(101)
Cumulative depreciation	(652)	(5,541)	(4,905)	(5,083)	-	(2,627)	(18,808)
CLOSING BALANCE	2,094	227	412	718	33	2,984	6,468

The land and buildings item, amounting to €2,094 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 site – Udine, including land and improvement costs) where the Parent Company's production site is located as well as the value of the property, owned also by the Parent Company, in Amaro (UD) including the land (used for offices), which following a preliminary purchase signed on 10 February 2020 and the subsequent purchase deed of January 2021, was recognised at its purchase value already at the end of 2020. In fact, with the signing of the preliminary agreement, the Parent Company gained full availability of the premises and the payment of monthly rent instalments ceased. Based on the total purchase amount of €1.2 million, the book value of the right of use for €491 thousand was reclassified, and the value of the building was increased by €670 thousand to align it with the lease value.

The increases of €28 thousand in plant and machinery, €203 thousand in industrial and commercial equipment and €151 thousand in other assets refer mainly to equipment replacement and new assets required to make the operations of the individual Group companies more efficient and effective.

Right-of-use assets mainly includes leases, in accordance with IFRS 16. Leases refer to the rents of industrial and commercial buildings as well as office areas and leases of office machines. During the year, following the renegotiation of some contracts, the increase was €845 thousand. These assets, concerning the "Right of use", 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. Depreciation recognised with reference to the "Rights of use" assets during the year amounted to a total of €1,375 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, 2020				
(€'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	-	-	-	
Consorzio Rete Space Italy	-	-	-	-	
Interlogica S.r.l.	-	-	-	400	10.00%
Kairos Autonomi	116	-	(10)	106	19.00%
Others	1	-	-	1	
TOTAL INVESTMENTS IN OTHER COMPANIES	162	-	(10)	533	
TOTAL INVESTMENTS	162	-	(10)	533	

At 31 December 2020, Eurotech owns the following equity investments in affiliates consolidated at equity:

- Rotowi Technologies S.p.A. (former 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 Art. 182-bis of the Italian 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.

In July 2020, Eurotech S.p.A. participated in the share capital increase of the company Interlogica S.r.l. with registered office in Mestre (VE), obtaining a 10% equity investment.

The schedule below shows the values of the assets, liabilities, revenues and annual results of equity investments in affiliates at 31 December 2019, as operating and financial information for year-end 2020 is not yet available.

(€'000)	At December 31, 2020 Rotowi Tech.	At December 31, 2019 Rotowi Tech.
Share of the Associate's balance sheet:	(*)	(**)
Current assets	176	155
Non current assets	0	0
Current liabilities	(54)	(52)
Non current liabilities	(745)	(745)
Net assets	(623)	(642)
Revenue	23	0
Profit (Loss)	18	(2)
Carrying amount of the investment	0	0

(*) FY2019

(**) FY2018

4 - Other non-current assets

The schedule below shows the breakdown of other non-current assets at 31 December 2020 and 31 December 2019:

(€'000)	at December 31, 2020	at December 31, 2019
Other non-current receivables	661	665
TOTAL OTHER NON CURRENT ASSETS	661	665

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 2020 and 31 December 2019:

(€'000)	at December 31, 2020	at December 31, 2019
Raw & auxiliary materials and consumables - gross	10,344	11,070
Inventory write-down provision	(2,355)	(2,611)
Raw & auxiliary materials and consumables - net	7,989	8,459
Work in process and semi-finished goods - gross	1,347	2,146
Inventory write-down provision	(96)	(148)
Work in process and semi-finished goods	1,251	1,998
Finished products and goods for resale - gross	10,869	13,449
Inventory write-down provision	(2,874)	(3,051)
Finished products and goods for resale - net	7,995	10,398
Advances	158	401
TOTAL INVENTORIES	17,393	21,256

Inventories at 31 December 2020 amounted to €17,393 thousand (€21,256 thousand at 31 December 2019), net of inventory write-down provision totalling €5,325 thousand. The decrease in the inventory write-down provision of €485 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 scrapings.

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, 2020	at December 31, 2019
OPENING BALANCE	5,810	5,204
Provisions	424	1,760
Other changes	(302)	81
Utilisation	(607)	(1,235)
CLOSING BALANCE	5,325	5,810

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 €2,355 thousand refers to obsolete or slow moving materials, whose full posted value some Group companies do not expect to recover. The decrease for the year amounted to €256 thousand.

The finished products write-down provision of €2,874 thousand, which covers the risk of slow movement in certain standard and custom finished products, decreased by €177 thousand to reflect the possible recovery value of obsolete or slow moving products of several standard and custom finished products.

6 – Trade receivables

The schedule below shows the breakdown of trade receivables and the respective doubtful debt provision at 31 December 2020 and 31 December 2019:

(€'000)	at December 31, 2020	at December 31, 2019
Trade receivables - customers	16,932	12,129
Trade receivables - related parties	1	-
Doubtful debt provision	(492)	(422)
TOTAL TRADE RECEIVABLES	16,441	11,707

Trade receivables falling due within 12 months are normally non-interest bearing and generally fall due at 90/120 days.

Trade receivables increased by €4,734 thousand compared to the 31 December 2019 figure. There were no bank receipts presented subject to collection. Many of the existing receivables at 31 December 2020 have been collected to date.

Receivables are shown net of a doubtful debt provision of €492 thousand. Changes in doubtful debt provision in the years under review were as follows:

CHANGES IN CUMULATIVE DOUBTFUL DEBT PROVISION		
(€'000)	at December 31, 2020	at December 31, 2019
OPENING BALANCE	422	305
Provisioning	98	140
Other changes	(8)	-
Utilisation	(20)	(23)
CLOSING BALANCE	492	422

Provisioning of €98 thousand made during the year was 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 2020, trade receivables that were past due but not written down were as follows:

€ '000	Overdue but not write-off						
	Total	Not overdue	< 30 days	30 - 60 days	60 - 90 days	90 - 180 days	Over 180 days
2020	16,441	6,985	1,700	748	2,034	4,532	442
2019	11,707	9,747	877	462	226	13	382

Receivables more than 180 days due represented 2.7% of trade receivables at 31 December 2020, a lower amount compared to the 3.3% relating to 2019. The Directors believe that that the amount, which is quite small, is still recoverable notwithstanding the extension of collection granted.

The amount of unexpired receivables which are subject to a deferred payment of more than 12 months amounts to Euro 260 thousand.

7 – 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 2019, the value increased by €631 thousand, from €269 thousand in 2019 to €900 thousand in 2020.

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 were €647 thousand (2019: €992 thousand), while Italian tax payables were €163 thousand (2019: €190 thousand).

Income tax payables and receivables are offset if there is a legal right to do so.

8 – Other current assets

The schedule below shows the composition of other current assets at 31 December 2020 and 31 December 2019:

(€'000)	at December 31, 2020	at December 31, 2019
Amounts receivable for grants	1	1
Advance payments to suppliers	209	227
Tax receivables	459	910
Other receivables	55	29
Accrued income and prepaid expenses	941	948
TOTAL OTHER CURRENT ASSETS	1,665	2,115

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.

9 – Cash and cash equivalents

The table below shows the composition of cash and cash equivalents at 31 December 2020 and 31 December 2019:

(€'000)	at December 31, 2020	at December 31, 2019
Bank and post office deposits	41,205	30,669
Cash and valuables in hand	17	18
TOTAL CASH & CASH EQUIVALENTS	41,222	30,687

Bank deposits are mainly on demand and remuneration is limited due to the interest rate curve. The fair value of cash and cash equivalents is €41,205 thousand (€30,669 thousand at 31 December 2019). The item shows a €10,535 thousand increase compared to 31 December 2019.

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.

10 – Other financial assets and liabilities

The amount recorded of €125 thousand comprises €90 thousand of a three-year insurance policy, €31 thousand related to an investment of liquid assets in low risk funds, €3 thousand relative to 100 shares of Banca Popolare Friuladria and €1 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.

11 – Net financial position

The table below shows the Group's net financial position at 31 December 2020 and 31 December 2019:

(€'000)		at December 31, 2020	at December 31, 2019
Cash & cash equivalents	A	(41,222)	(30,687)
Cash equivalent	B=A	(41,222)	(30,687)
Other current financial assets	C	(125)	(108)
Derivative instruments	D	81	44
Short-term borrowing	E	8,901	7,001
Short-term financial position	F=C+D+E	8,857	6,937
Short-term net financial position	G=B+F	(32,365)	(23,750)
Medium/long term borrowing	H	23,874	11,590
Medium-/long-term net financial position	I=H	23,874	11,590
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	(8,491)	(12,160)
Medium/long term borrowing allowed to affiliates companies and other Group	K	(57)	(89)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	(8,548)	(12,249)

The consolidated net financial position at 31 December 2020 amounted to net cash of €8.55 million, compared to a net financial position with net cash of €12.25 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 2020 equal to €3.00 million (€4.00 million at 31 December 2019).

As at 31 December 2019, the company is complying with all covenants existing at 31 December 2020.

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, 2020	Cash flows	Business combinations	Fair value changes	Exchange differences	Other non monetary transactions	at December 31, 2020
Short and Medium-/long-term borrowing	18,591	13,917	-	-	(169)	436	32,775
Medium/long term borrowing allowed to affiliates companies and other Group companies	(89)	24	-	-	8	-	(57)
Other current financial assets	(108)	(17)	-	-	-	-	(125)
Derivative instruments	44	-	-	37	-	-	81
Total Liabilities arising from financing activities	18,438	13,924	-	37	(161)	436	32,674

(€'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

12 – Shareholders' equity

The schedule below shows the composition of shareholders' equity at 31 December 2020 and 31 December 2019:

(€'000)	at December 31, 2020	at December 31, 2019
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(26,415)	(20,623)
Group shareholders' equity	118,864	124,656
Equity attributable to minority interest	-	-
Total shareholders' equity	118,864	124,656

The share capital at 31 December 2020 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 2020 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 €11,457 thousand is generated by inclusion in the consolidated financial statements of the statement of financial positions and income statements of US subsidiaries Eurotech Inc. and E-Tech USA Inc., as well as of UK subsidiary Eurotech Ltd. and Japanese subsidiary Advanet Inc.

The item "Other reserves" was negative by €39,574 thousand and consisted of the parent company's surplus reserve, formed by losses carried forward, allocations of retained earnings from prior years as well as other reserves of different origin. The change in the year is attributable to the allocation of 2019 results and the recognition of the Performance Share Plan as described in Note 16.

The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IFRS 9, was negative for €81 thousand and the negative value is up by €37 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 €1,197 thousand. This reserve was decreased by €3,453 thousand during the year.

The Parent Company Eurotech S.p.A. held 290,520 treasury shares at the end of the year (at the end of 2019 it held 440,020). The changes, as indicated in the Note below relate to the allocation of shares following the Performance Share Plan.

	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	(149,500)	(37)	-0.42%	(351)	2.35
Status as at 30 December 2020	290,520	73	0.82%	682	2.35

13 – Basic 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 treasury shares.

No equity transactions were reported in the financial years 2019 and 2020 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, 2020	at December 31, 2019
Net income (loss) attributable to parent company shareholders	132,000	19,242,000
Weighted average number of ordinary shares including own shares	35,515,784	35,515,784
Own shares	(372,189)	(784,382)
Weighted average number of ordinary shares except own shares	35,143,595	34,731,402
Weighted average number of ordinary shares except own shares for share diluted	35,143,595	34,731,402
<i>Net income (loss):</i>		
- per share	0.004	0.554
- per share diluted	0.004	0.554

14 – Borrowings

The schedule below shows the breakdown of medium- to long-term financial payables at 31 December 2020:

TYPE	COMPANY	BALANCE ON 31.12.2019	BALANCE ON 31.12.2020	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months	Long term Over 5 years
(€'000)							
CURRENT OUTSTANDINGS - (a)		98	247	247	-	-	-
Public entity	Eurotech S.p.A.	77	-	-	-	-	-
Non-banking financial companies	Eurotech S.p.A.	34	-	-	-	-	-
Lease liabilities		4,034	3,010	1,149	1,861	1,791	70
TOTAL OTHER FINANCINGS - (b)		4,145	3,010	1,149	1,861	1,791	70
Unsecured loans	Eurotech S.p.A.	13,818	27,383	7,030	20,353	18,886	1,467
Unsecured loans	Advanet Inc.	530	2,134	474	1,660	1,660	-
TOTAL BANK DEBT - (c)		14,348	29,517	7,504	22,013	20,546	1,467
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		18,493	32,527	8,653	23,874	22,337	1,537
TOTAL DEBT - [(a) + (b) + (c)]		18,591	32,774	8,900	23,874	22,337	1,537

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 financial liabilities as reverse factor for €231 thousand (€80 thousand in 2019).

Other loans

Other loans refer to:

- a residual debt of €3,010 thousand (of which €1,861 thousand medium-term, which includes €70 thousand over 5 years) for lease contracts accounted for in accordance with IAS 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 2017 and 2020 to Advanet Inc. by a local bank for a total remaining amount of €2,134 thousand, fully payable within 12 months for €474 thousand, to boost the Japanese company's working capital;

- some loans granted to the Parent Company by various banks from 2015 to 2020 for a total remaining amount of €15,801 thousand (of which €8,913 thousand medium- to long-term) mainly to support the Group R&D investments or to boost the working capital of the Parent Company;
- some loans granted to the Parent Company by various banks in 2020, against the so-called "Cura Italia" loans for a total residual amount of €11,582 thousand (of which €11,440 thousand medium- to long-term) guaranteed by the Government or by SACE to support the investments and 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 IRS.

Some of the unsecured loans in place, for a residual amount of €1.23 million at 31 December 2020, 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 of gross operating profit to revenues.

An unsecured loan signed in November 2020 for a residual amount of €6 million has covenants attached, linked to the prohibition on the distribution of dividends for 12 months from the signing of the loan.

All the covenants were honoured at 31 December 2020.

All bank loans out are denominated in euro apart from the loans granted to the Japanese subsidiary, which are in Japanese yen.

15 – Employee benefits

The schedule below shows the breakdown of employee benefits at 31 December 2020 and 31 December 2019:

(€'000)	at December 31, 2020	at December 31, 2019
Employees' leaving indemnity	392	343
Foreing Employees' leaving indemnity	2,436	2,164
Employees' retirement fund	100	97
TOTAL EMPLOYEES' BENEFITS	2,928	2,604

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 2020 and 31 December 2019:

	Defined benefit plans			
	Italy		Japan	
	at December 31, 2020	at December 31, 2019	at December 31, 2020	at December 31, 2019
(€ '000)				
Liabilities at start of period	343	277	2,164	2,092
Cost relating to present service	14	12	239	223
Past Service cost	-	-	-	(301)
Finance expense	2	4	6	9
Other changes	-	-	(88)	67
Benefits paid out	(8)	-	-	(16)
Actuarial loss (gain) recognised	41	50	115	90
Liabilities at end of period	392	343	2,436	2,164

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 Italian 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 the defined benefit plan are illustrated below:

Actuarial assumption	Defined benefit plans			
	Italy		Japan	
	at December 31, 2020	at December 31, 2019	at December 31, 2020	at December 31, 2019
Discount Rate	0.68%	1.61%	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	2.36%	3.32%	1.00%	1.00%
Duration	16	17	19	19

The schedule below summarises the change in the current value of the defined benefit plan at the end of the period; as indicated in the accounting standards, these values might not correspond to the booked liability.

(€ '000)	at December 31, 2020	at December 31, 2019	at December 31, 2020	at December 31, 2019
Projected benefit obligation at January 1,	343	277	2,164	2,092
Current Service cost	14	12	239	223
Past Service cost	-	-	-	(301)
Interest cost	2	4	6	9
Other changes	-	-	(88)	67
Pensions paid	(8)	-	-	(16)
Recognized actuarial gains or losses	41	50	115	90
Projected benefit obligation at December 31	392	343	2,436	2,164

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	Japan		
	at December 31, 2020	at December 31, 2019	at December 31, 2020	at December 31, 2019
Projected benefit obligation	392	343	2,436	2,164
Unrecognized actuarial gains or losses	-	-	-	-
Provisions for pensions charged to balance sheet	392	343	2,436	2,164
Current Service cost	14	12	239	223
Past Service cost	-	-	-	(301)
Interest cost	2	4	6	9
Recognized actuarial gains or losses	41	50	115	90
Costs charged to income statement	57	66	360	21

Employees' retirement fund

The employees' retirement fund 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 employees' retirement fund at 31 December 2020 and 31 December 2019:

EMPLOYEES' RETIREMENT FUND

(€'000)	at December 31, 2020	at December 31, 2019
JANUARY 1,	97	96
Provision	3	1
Utilization	-	-
RESERVE AT THE END OF THE PERIOD	100	97

16 – Share-based payments

On 22 April 2016, the Shareholders' Meeting of the Company approved adoption of an incentive plan solely for individuals 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").

The PPS 2016 provides that the beneficiaries identified by the Company's Board of Directors be assigned the right (known as Unit) to receive Eurotech S.p.A. shares free of charge provided that on the Assignment Date they maintain a relationship with the Company or one of its 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).

In 2020, following the conclusion of the plan, no units were assigned.

	Year 2020			Year 2019		
	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)
Performance Share Plan 2016						
Nr. Unit at the beginning of the period	364,600	1,153	475	604,000	983	425
Nr. Unit Granted during period	-	-	-	215,100	797	345
Nr. Unit Cancelled during period	(14,500)	(55)	(33)	(7,500)	(10)	(8)
Nr. Unit assigned during period	(149,500)	(376)	-	(447,000)	(617)	-
Nr. Unit Outstanding at the end of the period	200,600	722	442	364,600	1,153	762

At the reporting date the company had recorded a cost of €442 thousand in the income statement, whose contra entry was recognised in shareholders' equity. From the beginning of the plan it has been recognised in the income statement and amounts to €2,222 thousand.

17 – Provisions for risks and charges

The schedule below shows the breakdown of the provisions for risks and charges at 31 December 2020 and 31 December 2019:

(€'000)	at December 31, 2020	at December 31, 2019
Selling agents' commission fund	76	66
Director termination fund	75	140
Guarantee reserve	370	437
Busting depreciable asset	402	417
Risk reserves	419	-
TOTAL FUNDS FOR COSTS AND FUTURE RISKS	1,342	1,060

Selling agents' commission fund

The "Selling agents' commission fund" 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 discounting the share of liabilities that will be liquidated beyond the next year is not expected to be significant.

Directors' termination fund

The "Directors' termination fund" refers to the indemnity recognised for directors with powers set out in by the Bylaws of the Company or its subsidiaries. This indemnity is generally paid at the end of the mandate of the Board in office and is allocated periodically for the relevant portion. During 2020, at the end of the three-year mandate, the end of mandate compensation was paid to the Parent Company's CEO.

Guarantee reserve

The guarantee reserve 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 2020 refers to the discounting of the fund while in 2019 the increase was related to the obligation which arose on a leased property.

Other risks reserves

The "Other risks reserve" is allocated on the basis of expected costs to be incurred for risks related to tax issues or legal dispute not yet settled. During the year, the reserve was increased to cover both the risks deriving from a tax audit on the parent company for the years from 2012 to 2015, which amounted to €386 thousand, and those relating to a legal dispute with an employee in a subsidiary for €33 thousand.

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, 2020	at December 31, 2019
JANUARY 1,	66	69
Provision	13	3
Utilization	(3)	(6)
RESERVE AT THE END OF THE PERIOD	76	66

DIRECTOR TERMINATION FUND

(€'000)	at December 31, 2020	at December 31, 2019
JANUARY 1,	140	97
Provision	41	41
Other	(2)	2
Utilization	(104)	-
RESERVE AT THE END OF THE PERIOD	75	140

GUARANTEE RESERVE

(€'000)	at December 31, 2020	at December 31, 2019
JANUARY 1,	437	302
Provision	-	160
Other	(18)	9
Utilization	(49)	(34)
RESERVE AT THE END OF THE PERIOD	370	437

BUSTING DEPRECIABLE ASSET

(€'000)	at December 31, 2020	at December 31, 2019
JANUARY 1,	417	314
Provision	2	88
Other	(17)	15
RESERVE AT THE END OF THE PERIOD	402	417

GENERIC RISK

(€'000)		at December 31, 2020	at December 31, 2019
JANUARY 1,		-	-
Provision		419	-
RESERVE AT THE END OF THE PERIOD		419	0

18 – Trade payables

The schedule below shows the composition of trade payables at 31 December 2020 and 31 December 2019:

(€'000)		at December 31, 2020	at December 31, 2019
Third parties		10,302	11,562
Related companies		345	-
TOTAL TRADE PAYABLES		10,647	11,562

Trade payables at 31 December 2020 came to €10,647 thousand, decreasing by €915 thousand compared with 31 December 2019. Trade payables are non-interest bearing and, on average, are settled 90-120 days after invoice date.

19 – Other current liabilities

The schedule below shows the composition of other current liabilities at 31 December 2020 and 31 December 2019:

(€'000)	at December 31, 2020	at December 31, 2019
Social contributions	676	591
Other	4,771	4,270
Advances from customers	748	159
Grants advances	750	562
Other tax liabilities	464	1,224
Accrued expenses	1,706	907
TOTAL OTHER CURRENT LIABILITIES	9,115	7,713

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 2020 and 31 December 2019:

(€'000)	at December 31, 2020	at December 31, 2019
Employees	886	1,331
Vacation pay	1,194	1,119
Directors	576	677
Statutory auditors	195	210
Other	1,920	933
TOTAL OTHER PAYABLES	4,771	4,270

Amounts payable to employees refer to salaries and wages for the month of December 2020 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.

The item Other include for €1,075 thousand the right for the purchase of the property of the Parent Company in Amaro (UD) consisting of the land (used for offices) as already mentioned in Note 2.

Accrued expenses and deferred income

The item Accrued expenses and deferred income refers to the suspension of revenues that will have an economic recognition in future years. In particular, some revenues from services relating to the IoT business line will be recognised in 2021.

20 – Warranties

The Eurotech Group had potential liabilities at 31 December 2020 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 management report at 31 December 2020.

21 – Costs of raw & auxiliary materials and consumables

(€'000)	FY 2020	FY 2019
Purchases of raw materials, semi-finished and finished products	32,748	47,986
Changes in inventories of raw materials	24	966
Change in inventories of semi-finished and finished products	(31)	1,070
TOTAL COST OF MATERIALS	32,741	50,022

The costs of raw and auxiliary materials and consumables show a decrease related to the decline in sales performance, and also influenced by the write-downs on the inventories.

22 – Other operating costs

(€'000)	FY 2020	FY 2019
Service costs	12,150	13,204
Rent and leases	404	338
Payroll	20,095	20,383
Accruals and other costs	1,099	1,077
Cost adjustments for in-house generation of non-current assets	(3,483)	(2,451)
Operating costs net of cost adjustments	30,265	32,551

23 – Service costs

(€'000)	FY 2020	FY 2019
Industrial services	4,991	5,166
Commercial services	1,894	3,183
General and administrative costs	5,265	4,855
Total costs of services	12,150	13,204

During the periods under consideration, the cost of services decreased as a result of lower expenses related to the trend in turnover, some cost savings generated by limited movements of people and other commercial costs (e.g. trade fairs) not incurred due to the effects of the pandemic.

24 – Payroll costs

(€'000)	FY 2020	FY 2019
Wages, salaries and Social Security contributions	19,011	19,690
Employees' leaving entitlement and other personnel provisions	526	165
Other costs	558	528
Total personnel expenses	20,095	20,383

Payroll costs, in the period being analysed, showed a decrease related to lower bonuses allocated to provisions during the year compared to 2019, in addition to the lower amount recognised in the item Wages (€459 thousand in 2020 versus €762 thousand in 2019) relating to the pro-rata temporis portion of the Performance Share Plan cost as explained in Note 16. These items more than offset the increase in personnel costs due to new hires and the increase in provisions for post-employment benefits of foreign companies.

As shown in the table below, the number of Group employees increased at the end of the periods under review, rising from 318 in 2019 to 323 in 2020.

EMPLOYEES	Average 2020	at December 31, 2020	Average 2019	at December 31, 2019
Management	4.0	4	4.0	4
Clerical workers	293.9	296	286.7	291
Line workers	22.0	23	20.9	23
TOTAL	319.9	323	311.5	318

25 – Other provisions and costs

(€'000)	FY 2020	FY 2019
Doubtful debt provision	98	140
Other Provisions	386	248
Other costs	615	689
Total accruals and other costs	1,099	1,077

The amounts in the “doubtful debt provision” item refer to provisions made to the respective reserve to represent receivables at their realisable value.

The item Provisions refers for €386 thousand to provisions made during the year to cover costs related to a tax dispute.

At 31 December 2020, losses on receivables amounted to €13 thousand, while no losses were recorded last year.

26 – Other revenues

(€'000)	FY 2020	FY 2019
Government grants	257	566
Sundry revenues	122	569
Total other revenues	379	1,135

Contributions mainly relate to research and development activities, which receive funding from local governments as well as some funding for the employees and the training delivered to employees.

Sundry revenues for the most part refer to the use of funds whereas in 2019 the most significant item referred to the income received following the settlement of a law suit with a supplier.

27 – Cost adjustments for internally generated non-current assets

At 31 December 2020, cost adjustments for internally generated non-current assets (equal to €3,483 thousand) refers for €1,072 thousand to the cost incurred internally for the development of new circuit boards for a high-performance, low-consumption processor; for €1,502 thousand to the cost incurred by the Parent Company and subsidiary Eurotech Inc. for new Cloud platform products; for €498 thousand mainly to payroll costs incurred for the implementation of the new ERP system; and for €340 thousand to costs related to new development projects and for €71 thousand to internal constructions for property, plant and equipment.

Total adjustments for internal increases comprise €1,781 thousand in payroll costs (2019: €950 thousand), €1,515 thousand in service costs (2019: €1,429 thousand), €187 thousand in materials costs (2019: €72 thousand).

28 – Depreciation, amortisation and impairment

(€'000)	FY 2020	FY 2019
Amortisation of intangible assets	2,131	1,916
Amortisation of property, plant and equipment	1,911	1,998
Total amortisation and depreciation	4,193	3,924

Amortisation of intangible assets relates mainly to development costs and, to a lesser extent, the software licenses.

Depreciation of property, plant and equipment includes €549 thousand for the portion pertaining to the period. The remaining €1,362 thousand relate to the depreciation due to the use of certain capital goods (€1,447 thousand in 2019, the first year of application of IFRS 16).

€60 thousand of the fixed assets write-down refers to the write-down of the building in Caronno Varesino and €91 thousand to the write-down of development costs where the results are no longer considered to be usable. In 2019, the write-down concerned entirely development costs.

29 – Financial income and charges

€'000	FY 2020	FY 2019
Exchange-rate losses	976	442
Interest expenses	361	405
Interest expenses on lease liabilities	44	68
Expenses on derivatives	36	24
Other finance expenses	44	63
Financial charges	1,461	1,002
Exchange-rate gains	784	478
Interest income	5	28
Other finance income	4	10
Financial incomes	793	516

The performance in financial operations is influenced on an annual basis by exchange rate management, which had a net loss of €192 thousand in 2020 (2019: a gain of €36 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 -€371 thousand.

The interest expense was down due to less use of lines of credit.

Income from the management of interest income and other financial income is lower due to the elimination of interest income on bank accounts receivable.

30 – Valuation and management of investments

Management of investments

In 2020, the sale of a minority interest (Inasset S.r.l.) resulted in a capital gain of €61 thousand. In 2019, however, it was not deemed necessary to recognise profit or loss with reference to equity investments.

31 – Income taxes for the year

Income taxes amounted to a negative €1,700 thousand in 2020, while they amounted to a positive €3,117 thousand in 2019.

(€'000)	FY 2020	FY 2019
Pre-tax result	1,832	16,125
Income taxes	(1,700)	3,117

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 2020	FY 2019
IRES (Italian corporate income tax)	179	36
IRAP (Italian Regional business tax)	38	259
Foreign current income taxes	1,006	1,286
Total current income tax	1,223	1,581
Net (prepaid) deferred taxes: Italy	(34)	(3,259)
Net (prepaid) deferred taxes: Non-Italian	511	(1,473)
Net (prepaid) deferred taxes	477	(4,732)
TOTAL INCOME TAXES	1,700	(3,117)

Income taxes represented a total cost of €1,700 thousand at 31 December 2020 (of which current taxes of €1,223 thousand and net deferred tax liabilities of €477 thousand) compared with total tax assets 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), representing a change of €4,817 thousand.

In 2019, deferred tax assets referred to taxes on the tax losses used during 2019 by some 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.

In 2020, in addition to not accounting for new deferred tax assets on tax losses, deferred tax assets were written down for €861 thousand in order to reflect their reasonable recoverability in future years.

The Group incurred tax and ACE losses in the past years, and for some companies in 2020 - arising from the Parent Company and the subsidiaries EthLab S.r.l., E-Tech USA Inc., Eurotech Inc., I.P.S. Sistemi Programmabili S.r.l., Eurotech France SA and Eurotech Ltd., against which no deferred taxes payable, for €34.7 million (2019: €27.0 million) were recognised - to be reported 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 2020, 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 2020, is as follows:

<i>(Migliaia di Euro)</i>	FY 2020	FY 2019
Pre-tax result	1,832	16,125
Theoretical income tax rate 24%		24%
Theoretical corporate income tax	440	3,870
Effect of foreign rates	280	151
Impact of taxes relating to prior periods	(2)	(8)
Non-taxed income and non-deductible expenses	137	246
Interest deductible in future periods	(67)	298
Impact of tax losses	0	(7,864)
Impact of permanent differences and unrecognized temporary differences	54	27
Impact of temporary differences not recognized in previous years	0	0
Effect of change in tax rates	(70)	0
DTA not recognises	389	180
Allowance for Corporate Equity	0	(268)
R&D credit	(11)	(43)
Other current taxes	174	6
Local taxes trough profit or loss	376	288
Total income taxes through profit or loss	1,700	(3,117)
Current taxes	1,223	1,581
Total deffered taxes	477	(4,732)
	0	34

Deferred tax assets at 31 December 2020 amounted to €7,478 thousand (€7,981 thousand at 31 December 2019) while deferred tax liabilities amounted to €3,166 thousand (€3,097 thousand at 31 December 2019) and are detailed as follows:

Deferred tax assets

	Sundry impairment losses	Product warranty	Employees' leaving indemnity	Carry forward tax losses	R&D credit	Other temporary differences	Transfer of taxes	Total
<i>(Migliaia di Euro)</i>								
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
Changes in 2020								
- Through profit or loss	60	(18)	114	(863)	(142)	(80)	0	(929)
- Other changes	0	0	0	0	0	0	723	723
- Exchange rate differences	0	0	(26)	0	(112)	(159)	0	(297)
at December 31, 2020	543	62	834	3,057	1,071	2,356	(445)	7,478

Deferred tax liabilities

	Business combination	R&D costs	Unrealised foreign exchange gains or	Other temporary differences	Transfer of taxes	Total
<i>(Migliaia di Euro)</i>						
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)
Changes in 2020						
- Through profit or loss	63	(299)	753	26	0	543
- Other changes	0	0	0	0	(723)	0
- Exchange rate differences	107	4	0	0	0	111
at December 31, 2020	(2,869)	(372)	(312)	(58)	445	(3,166)

I – Other information**32 – 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 31.12.2020	% of ownership 31.12.2019
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%

(1) The percentage of formal possession is 90%, but due to the possession by Advanet of 10% of the share capital in the form of treasury shares, it is fully consolidated

(2) Company in liquidation

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	Financial receivables to related parties	Receivables from related parties	Payables from related parties
Other related parties						
Bluenergy Assistance srl	3	-	-	-	1	-
Kairos Autonomi	-	4	-	58	-	-
Interlogica srl	-	-	391	-	-	345
Inasset S.r.l. (*)	-	-	30	-	-	-
Total	3	4	421	58	1	345
Total with related parties	3	4	421	58	1	345
% impact on line item	0.0%	0.5%	0.9%	31.9%	0.0%	3.2%

(*) Value of transactions up to the date of sale of investment in Eurotech (December 16th, 2020)

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 Art. 79 of CONSOB Regulation no. 11971/99 as subsequently amended and Annex 3C of the same regulation.

at December 31, 2020								
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
Patrizio Mapelli	President from April 28, 2020	Eurotech	-	-	-	-	-	-
Fumagalli Aldo	Director and from April 28, 2020 Vice President	Eurotech	-	-	-	-	-	-
Siagri Roberto	President and CEO up to April 28, 2020 and CEO from April 28, 2020	Eurotech	Ownership	472,770	56,000	(25,000)	503,770	316,770
Antonello Giulio	Director up to April 28, 2020	Eurotech	-	-	-	-	-	-
Costacurta Riccardo	Director up to April 28, 2020	Eurotech	-	-	-	-	-	-
Mio Chiara	Director	Eurotech	-	-	-	-	-	-
Paladin Dino	Director up to April 28, 2020	Eurotech	-	-	-	-	-	-
Pezzuto Carmen	Director up to April 28, 2020	Eurotech	-	-	-	-	-	-
Marti Antongiuilio	Director	Eurotech	-	-	-	-	-	-
Curti Susanna	Director	Eurotech	-	-	-	-	-	-
Costaguta Marco	Director from April 28, 2020	Eurotech	-	-	-	-	-	-
Filippini Mariagrazia	Director from April 28, 2020	Eurotech	-	-	-	-	-	-
Rovizzi Laura	Director from April 28, 2020	Eurotech	-	-	-	-	-	-
Favaro Gianfranco	President of Board of Statutory Auditors up to April 28, 2020	Eurotech	-	-	-	-	-	-
Briganti Laura	Statutory Auditor up to April 28, 2020	Eurotech	-	-	-	-	-	-
Fabio Monti	President of Board of Statutory Auditors from April 28, 2020	Eurotech	Ownership	3,000	-	(3,000)	-	-
Daniela Savi	Statutory Auditor from April 28, 2020	Eurotech	-	-	-	-	-	-
Rebecchini Gaetano	Statutory Auditor	Eurotech	-	-	-	-	-	-

33 – 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

The Group's 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 2020,

about 33.5% of Group loans were at fixed rates (compared with about 46.7% in 2019). 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, JPY/EUR and GBP/EUR exchange rates. During the year, no foreign exchange hedges were executed because of the uneven USD, GBP and JPY 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 (2019: 73.0%) and 65.4% (2019: 66.7%) 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 Consolidated 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. The maximum exposure to risk is shown in Note 7. Only some receivables of the main 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.

As for the significant concentration of credit risk in the Group, there have been occasions over the last 3 years in which the biggest customer generated more than 15% of the Group revenues. More specifically, in 2020 a single Group customer generated approximately 20.0% of the Group's turnover. Even more specifically, in 2020, two customers generated, each, a turnover that was higher than 10% of the Group's turnover, totalling 29.9% 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 have increased 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 2020, 26.0% of Group financial payables will accrue within one year (2019: 38.2%), 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	7,751	6,837	13,709	1,467	29,764
Trade payables and other liabilities	19,275	-	-	-	19,275
Contratti per beni in leasing	1,149	857	934	70	3,010
Financial derivatives	13	12	19	-	44
Total as of December 31, 2020	28,188	7,706	14,662	1,537	52,093

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 2019 and 2020.

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, 2020	at December 31, 2019
Other current and non current financial assets	(182)	(197)
Derivative instruments	81	44
Borrowing	32,775	18,591
Cash & cash equivalents	(41,222)	(30,687)
Net financial position	(8,548)	(12,249)
Group Equity	118,864	124,656
Group Equity	118,864	124,656
EQUITY AND NET FINANCIAL POSITION	110,316	112,407
Net financial position on Equity	-7.2%	-9.8%

34 – 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 2020 and on the respective comparison figures.

At 31 December 2020, the Group held the following financial instruments measured at fair value:

	Notional value at December 31, 2020	Fair value at December 31, 2020 (debit)	Fair value at December 31, 2020 (credit)	Notional value at December 31, 2019	Fair value at December 31, 2019 (debit)	Fair value at December 31, 2019 (credit)
(€'000)						
Cash flow hedge						
Contracts Interest Rate Swap (IRS)	10,965	0	(81)	6,216	0	(44)

All the assets and liabilities measured at fair value at 31 December 2020 are at Level 2 of the fair value measurement scale. In addition, during 2020 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, 2020									
	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		Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through equity	financial liabilities carried at amortized cost	Total
(€'000)					(€'000)				
Asstes as per balance sheet					Liabilities as per balance sheet				
Trade and other receivables exluding pre-payments	-	-	16,441	16,441	Borrowings (excluding finance lease liabilities	-	-	29,778	29,778
Investments in other companies	533	-	-	533	Finance lease liabilities	-	-	2,997	2,997
Other current financial assets	34	-	91	125	Derivative financial instruments		81	-	81
					Trade and other payables exluding non-financial liabilities	-	-	10,647	10,647
Cash & cash equivalents	-	-	41,222	41,222		-	-	43,422	43,503
Total	567	-	57,754	58,321	Total	-	81		
at December 31, 2019									
	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		Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through equity	financial liabilities carried at amortized cost	Total
(€'000)					(€'000)				
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
Investments in other companies	162	-	-	162	Finance lease liabilities	-	-	3,997	3,997
Other current financial assets	3	-	105	108	Derivative financial instruments		44	-	44
					Trade and other payables exluding non-financial liabilities	-	-	11,562	11,562
Cash & cash equivalents	-	-	30,687	30,687		-	-	30,153	30,197
Total	165	-	42,499	42,664	Total	-	44		

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 2020, the Group held six IRS contracts (of a notional contractual value of €11.0 million) of which two were signed during the year; all six contracts are designated as interest rate risk hedging instruments.

	Due date	Fixed rate	Floating rate	Market value (€'000)
Interest rate swap contracts				
Euro 1.233.137,41	29 December 2023	0.25%	Euribor 3 months	(16)
Euro 85.158,00	26 January 2021	0.01%	Euribor 3 months	0
Euro 2.833.966,00	30 May 2022	0.10%	Euribor 3 months	(14)
Euro 2.812.500,00	31 March 2023	0.01%	Euribor 3 months	(19)
Euro 2.000.000,00	31 July 2025	-0.20%	Euribor 3 months	(20)
Euro 2.000.000,00	30 September 2026	-0.14%	Euribor 3 months	(12)
TOTAL				(81)

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 shareholders' equity of €37 thousand and decreased the cash flow hedge reserve as a direct reduction of shareholders' equity to €81 thousand.

35 – Potential liabilities

There are no significant potential liabilities to report except for what is stated in Note 17.

36 – Information requested on the basis of Italian law no. 124/2017

With reference to the requirements under Italian law no. 124/2017, Art. 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, 2020

COMPANY	LENDING INSTITUTION	PROJECT DESCRIPTION	RECEIVED AMOUNT
Eurotech S.p.A.:			
	European Community	Arrowhead Tools	238
	Others residual		2
Aurora:			
	Others residual		2
Advanet:			
	Others residual		14
RECEIVED GRANTS			256

37 - Events after the reporting date

No further significant events took place after the closing of the Consolidated Financial Statements at 31 December 2020.

Amaro, 15 March 2021

On behalf of the Board of Directors
CEO
Mr Roberto Siagri

Annex I – Information provided pursuant to Art. 149-duodecies of the CONSOB Issuers' Regulation

The schedule below has been prepared in accordance with Art. 149-*duodecies* of the CONSOB Issuers' Regulation and shows the amounts paid in 2020 for the auditing services.

(€)	Service provider	Eurotech Group entity	2020 fees
Audit			
	PricewaterhouseCoopers S.p.A.	Parent company - Eurotech S.p.A.	123,891
	Network PricewaterhouseCoopers	Subsidiaries	141,388
Other services			
	TLS Associazione Professionale di Avvocati e Commercialisti	Parent company - Eurotech S.p.A.	10,200
TOTAL			275,479

Certification of the Consolidated Financial Statements pursuant to Art. 154-bis of Italian Legislative Decree of 24 February 1998, no. 58

Amaro, 15 March 2021

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 Art. 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 2020.
2. Valuation of the adequacy of the administrative and accounting procedures for the formation of the Consolidated Financial Statements at 31 December 2020 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 2020:
 - 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;
 - correspond 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 management report 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 Chief Executive Officer
Roberto Siagri

The Financial Reporting Manager
Sandro Barazza



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 2020, 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 2020, 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

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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 2020 the Eurotech Group recorded goodwill totaling Euro 69.219 thousand and trademarks with indefinite useful life totaling Euro 8.372 thousand (together representing 43% 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 2021-2025 operating and financial plan approved by the Board of Directors on 11 March 2021.

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, also considering the context of uncertainty deriving from the covid-19 pandemic, 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 2021-2025 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, also considering the impacts deriving from the covid-19 pandemic;
- 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.



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 2020, Development costs capitalized in the consolidated financial statements, either within Development costs or within Assets under construction and advances, amounted to Euro 7.369 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, also considering the context of uncertainty deriving from the covid-19 pandemic.

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, also considering the impacts deriving from the covid-19 pandemic, 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.



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.



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 2020, 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 2020 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 2020 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, 31 March 2021

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

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