Consolidated Interim Financial Report

at 30 June 2020

EUROTECH

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

Date of issue: 4 September 2020
This report is available online
in the "Investors" section of
www.eurotech.com

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

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Corporate Bodies

Chairman	Patrizio Mapelli
Vice Chairman	Aldo Fumagalli [1]
Director	Roberto Siagri
Director	Marco Costaguta [1]
Director	Susanna Curti [1 5]
Director	Maria Grazia Filippini [1 2 3 4 5]
Director	Antongiulio Marti [1 3]
Director	Chiara Mio [1 2 3 4]
Director	Laura Rovizzi [1 2 4 5]

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

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

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

Independent auditor	
	PricewaterhouseCoopers S.p.A.

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

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

[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.

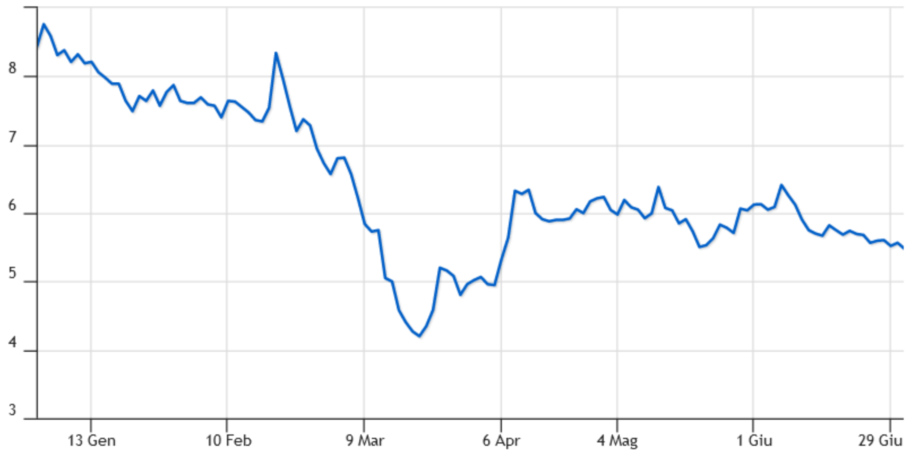
Share capital of Eurotech S.p.A. at 30 June 2020

Share capital	€8,878,946.00
Number of ordinary shares (without nominal unit value)	35,515,784
Number of savings shares	-
Number of Eurotech S.p.A. treasury shares	349,520
Stock market capitalisation (based on the average share price in June 2020)	€199 million
Stock market capitalisation (based on the share price on 30 June 2020)	€198 million

Performance of Eurotech S.p.A. shares

Relative performance EUROTECH S.p.A.
01.01.2020 – 30.06.2020

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 consolidated annual financial statements of Eurotech Group were prepared in accordance with IFRS accounting standards issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Art. 6 of EC Regulation 1606/2002 of the European Parliament and European Council of 19 July 2002.
This consolidated half-year financial report for the six-month period ended 30 June 2020 was prepared in accordance with the provisions of IAS 34 Interim Financial Reporting, Art. 154-ter of the Consolidated Law on Finance, as well as the relevant Consob provisions. This consolidated half-year financial report is subject to a limited audit according to the criteria recommended by Consob. The consolidated half-year financial report does not contain all the information and notes required for drafting the consolidated annual financial statements and therefore this report must be read together with the consolidated annual financial statements at 31 December 2019.
Unless otherwise stated, data are expressed in thousands of euro.

Performance highlights

Financial data

(€'000)	1H 2020	%	1H 2019	%	% change
OPERATING RESULTS					
SALES REVENUES	36,188	100.0%	53,038	100.0%	-31.8%
GROSS PROFIT MARGIN	18,978	52.4%	26,340	49.7%	-27.9%
EBITDA	3,207	8.9%	10,874	20.5%	-70.5%
EBIT	1,111	3.1%	8,944	16.9%	-87.6%
PROFIT (LOSS) BEFORE TAXES	1,296	3.6%	8,692	16.4%	-85.1%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	577	1.6%	8,833	16.7%	-93.5%

Statement of financial position data

€'000	at June 30, 2020	at December 31, 2019
BALANCE SHEET AND FINANCIAL HIGHLIGHTS		
Non-current assets	105,635	104,367
- of which net intangible assets	90,073	88,905
- of which net tangible assets	6,689	6,565
Current assets	66,074	66,142
TOTAL ASSETS	171,709	170,509
Group shareholders' equity	125,383	124,656
Minority interest	0	0
Non-current liabilities	19,637	18,351
Current liabilities	26,689	27,502
TOTAL LIABILITIES AND EQUITY	171,709	170,509

€'000	at June 30, 2020	at December 31, 2019
NET FINANCIAL POSITION	(10,059)	(12,249)
NET WORKING CAPITAL	16,783	14,890
NET INVESTED CAPITAL*	115,324	112,407
CASH FLOW DATA		
Cash flow generated (used) in operations	576	20,909
Cash flow generated (used) in investment activities	(2,346)	(4,307)
Cash flow generated (absorbed) by financial assets	1,542	844
Net foreign exchange difference	(412)	45
TOTAL CASH FLOW	(640)	17,491

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

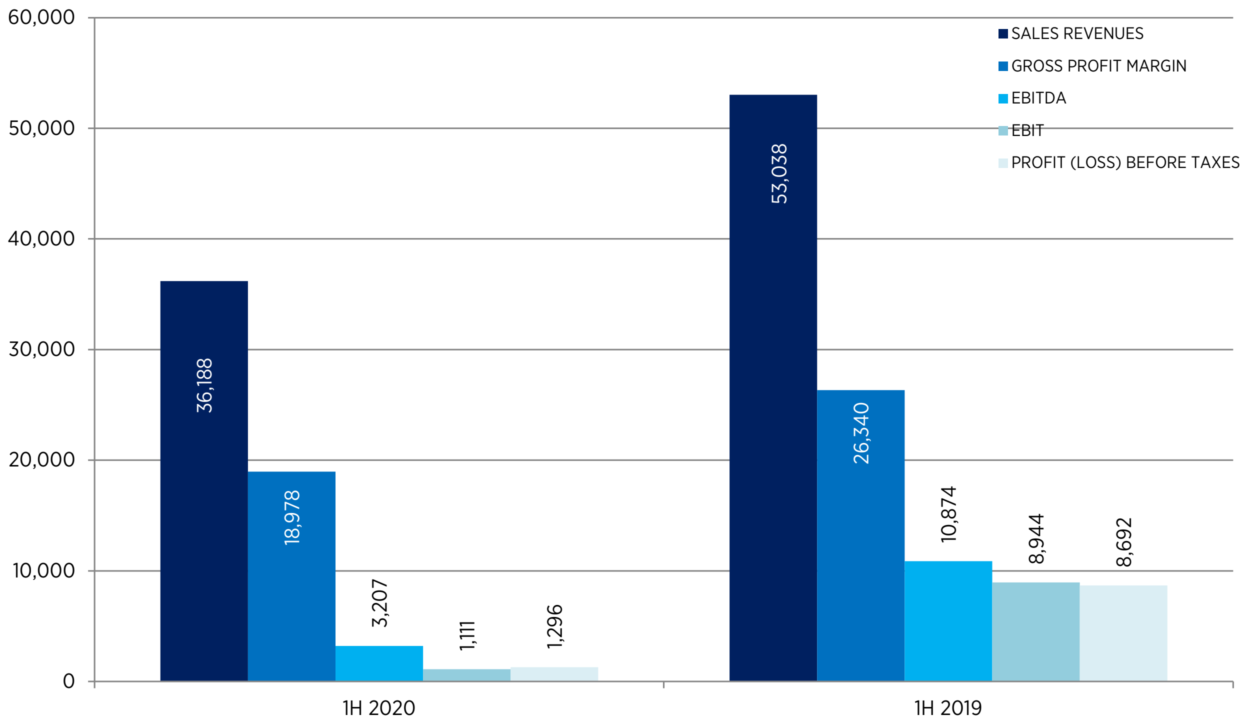
Number of employees

	at June 30, 2020	at December 31, 2019	at June 30, 2019
EMPLOYEES	326	318	310

Revenues of the NanoPC line by geographic business area

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1H 2020	1H 2019	% YoY Change	1H 2020	1H 2019	% YoY Change	1H 2020	1H 2019	% YoY Change	1H 2020	1H 2019	% YoY Change	1H 2020	1H 2019	% YoY Change
Third party Sales	15,276	27,849		8,597	13,038		12,315	12,151		0	0		36,188	53,038	
Infra-sector Sales	191	508		1,673	3,612		308	448		(2,172)	(4,568)		0	0	
Total Sales revenues	15,467	28,357	-45.5%	10,270	16,650	-38.3%	12,623	12,599	0.2%	(2,172)	(4,568)	52.5%	36,188	53,038	-31.8%

Summary of the results



The Eurotech Group

Eurotech is a global company with a strong international focus, which generates sales on three continents. It is a Group that has operating locations in Europe, North America and Japan, led and coordinated by the headquarters in Italy.
The technological paradigm followed by Eurotech is 'pervasive computing' or 'ubiquitous computing'. The pervasive concept combines three key factors: miniaturisation of 'smart' devices, i.e. devices capable of processing information; their spread in the real world – inside buildings and equipment, on board vehicles, worn by people, and disseminated in the environment; and their ability to connect and communicate with each other in a network.
In this perspective, Eurotech carries out research and development activities aimed towards the production and sale of high-computing, low-consumption miniaturised computers, for use in various industrial environments, that are easily connected together and to the "cloud" through the new paradigm, the Internet of Things (IoT).

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

- base components: electronic processing and communication boards of proprietary form factors and varying standard (PC/104, Com-Express, VME, CompactPCI, etc.);
- high and very high performance, low consumption processing and communications sub-systems for fixed and mobile applications, built using basic components and third-party components (product families: BoltMAR, BoltCOR, DynaCOR, etc.);
- ready to use devices and sensors made from base components and sub-systems with integrated specific software (product lines: ReliaGATE and DynaGATE for IoT Gateways, BoltGATE for Edge Computers, and as for smart sensors, the PCN and the ReliaSENS);
- software to integrate base components, sub-systems, and devices with the cloud: Everyware Software Framework (ESF) on the Operational Technology (OT) side and Everyware Cloud integration platform on the Information Technology (IT) side;
- solution design and product personalisation services in order to simplify the 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 focus 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, they will be connected to the cloud and the connection will have to be guaranteed by IoT software platforms. Eurotech, a step ahead of the market, developed an IoT platform for industrial IoT, marketed as 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 begin to be miniaturised, just as personal computers became smaller in the 1990s, so that they can be used at the edge. Thus, HPCs will move from the "centre" to the "periphery", becoming what are known today as HPECs (High Performance Embedded Computers). Thanks to the know-how acquired throughout the years on the design and development of HPCs with hot liquid, low pressure cooling, Eurotech is one of just a handful of companies that is able to offer very compact HPECs that are capable of operating in very small spaces typical of mobile applications and are ready to meet the current needs of our target markets.

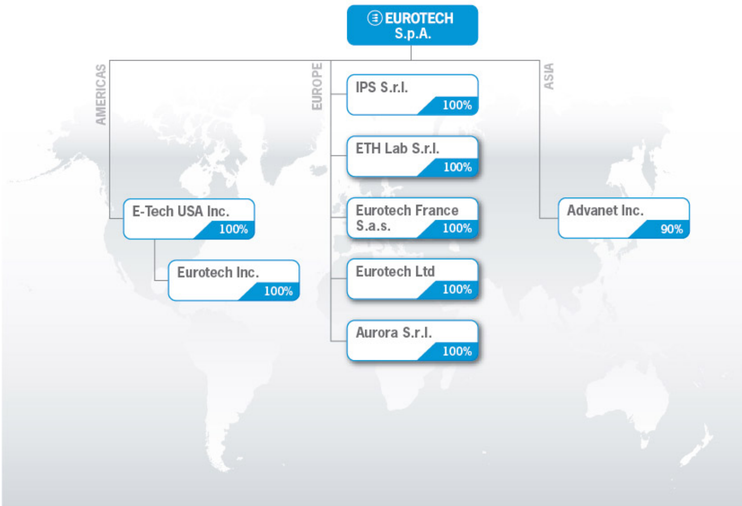
As we continue to improve our consolidated offer, we increasingly face the challenge of creating end-to-end solutions to easily connect and manage distributed intelligent objects and to transport valuable data from these objects to business applications, all of which leveraging the Cloud IT infrastructure.
Equipped with a small, interconnected computer, any object can generate a flow of data and potentially become an asset monitored via the web: from a vending machine to a boiler, from an agricultural vehicle to a locomotive. However, to create the "Internet of Things", the interface between the real world and the digital world, between sensors and the web, and between smart devices and Cloud applications must be managed.
At Eurotech, we know how to move to the Cloud the data generated in real-world applications, to create the Data Lake and therefore to make the data usable for business processes and applications. Today, our embedded computers, both in the form of boards and sub-systems, and our devices can be easily integrated into a Cloud infrastructure - public, private or on-premises, through our Everyware Cloud software platform, which allows users to quickly connect intelligent objects to build distributed systems for IoT solutions. Thanks to our technology components, our partners and customers can create flexible

solutions that support asset-monitoring applications in various operational contexts and the performance of new value-added services.

At 30 June 2020, the Eurotech Group consisted of the following companies:

Company name	Business activity	Share capital	Group share
Parent company			
Eurotech S.p.A.	Operates in the NanoPC segment 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	
Subsidiaries and companies consolidated on a line-by-line basis			
Aurora S.r.l.	Engineering company that provides internal services to the Group in the High Performance Embedded Computer segment.	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 for the Group	Euro 115,000	100.00%
Eurotech Inc.	Operates in the US market with a focus on the industrial, medical, defence and transport sectors	USD 26,500,000	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 Ltd.	Operates 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, it is considered 100% owned, since the company holds the remaining 10% in the form of treasury shares.



COVID-19 update

On 30 January 2020, the WHO announced that the coronavirus (COVID-19) that had spread in China represented a global emergency.
If initial fears regarding the economic impacts of the virus were linked solely to a potential slowdown for China and the effects it could have on growth prospects for the global economy, when the infection later spread to Europe the possible impacts on the economy grew exponentially.
But the real perception of what the world was about to face was on March 11, 2020, when the WHO officially declared that the Covid-19 emergency was a pandemic.
In order to limit the spread of the epidemic and protect the population, various governments imposed strict containment measures and social distancing, including the complete ban on movement within individual countries and across borders, as far as imposing the temporary closure of all non-essential businesses.

From the initial struggles, first in Italy and then in other countries, the Company quickly created internal Task Forces dedicated to managing the emergency, and immediately implemented major actions to safeguard the health of its employees and to allow business continuity as far as possible.
Visits to customers or suppliers were limited and in all geographical areas Group companies continued to remain in contact with customers and suppliers using telematic channels.
From the point of view of internal work organization, in all Group locations there was the immediate activation of procedures to protect employees who could not carry out their activities in agile mode ("smart-working") while product development and sales activities as well as customer support activities and PoC (Proof of Concept) finalisation activities, in particular for IoT (Internet of Things) projects, have always continued in agile mode.

At present, despite there being greater freedom of movement, a number of countries are still not easily reachable and certain peaks in infection rates are creating new fears at global level.
The persisting restrictions on international and individual travel, necessary to combat the spread of the virus, make it cumbersome to maintain relations with customers, suppliers and foreign personnel, resulting also in difficulties in forecasting the timing for the closing of various opportunities.

The emergency situation described above and the unprecedented challenges we faced created significant impacts on first-half results, both in terms of revenues and margins, as commented in detail below in this document.On the order collection side, we found a tactical wait-and-see approach that was probably triggered by uncertainty about the evolution of the health emergency.
In a context where visibility is low, in the first half of 2020 historical clients showed extreme prudence in issuing new orders, for projects already in place, beyond what is strictly necessary for the short-term operation of their activities.
As regards business development with new clients or for new projects with historical clients, the widespread climate of uncertainty about the duration of the pandemic, fears of its possible exacerbation and the possible medium-term impact of the health crisis on the economic fabric and on companies did not favour investment decisions relating to ongoing negotiations. The timing of maturation of opportunities into orders was extended and as a result sales in the second quarter were also impacted.

Given the current magnitude of the socio-economic effects of the Covid-19 health emergency and the uncertainty regarding its duration, it is difficult to quantify total impact of this pandemic on the 2020 financial year. In the first half of 2020, it is believed that the reduction in turnover compared to the first half of 2019 is totally due to the direct or indirect effects of the pandemic as described above, while in terms of costs, the organizational adjustments to work safely that the Group companies had to bear were limited to about one hundred thousand euros. Over the years, Eurotech has demonstrated its ability to adapt and react to changes in global scenarios, but it is inevitable that the macro-economic situation that has been created will have a negative impact on the results of the 2020 financial year, as well as having an impact on the financial situation with respect to what was expected.

Eurotech management continues to pay close attention to the evolution of the world economic scenario: according to the World Economic Outlook (WEO) update published in June by the International Monetary Fund (IMF), global growth is expected to be -4.9% in 2020, 1.9 percentage points below the previous forecasts released in April. The pandemic has therefore had a more negative impact than expected in the first half of 2020, and the recovery is proving to be more gradual than initially assumed. This prolonged effect of the pandemic and the inertia of the recovery can also be observed in the target markets addressed by Eurotech, both for the historical embedded computer business and for the new Industrial IoT market. The third quarter of 2020 will therefore still be affected by the effects already seen in the first half of the year.
The continuation of the pandemic in the United States or its resurgence in Europe and Japan could create new operational challenges and change companies' investment decisions. At present, the order intake in September and in the first half of October will be crucial to determine the performance in the second half of the year and in particular in the fourth quarter. There is a great fluidity in the dynamics of customer behavior, for both existing and potential customers, and predicting the evolution of the scenario even in the short term is difficult. The current pandemic situation is likely to continue to cause a tactical wait-and-see attitude of companies towards investments for a few more months, with time of maturation of opportunities in orders that will be dilated and of uncertain forecast.

In this context of declining revenues and uncertainty regarding the timing of market recoveries, it is likewise important to emphasise that the Group’s capital strength ensures strong financial independence in supporting the operating needs and development plans of Eurotech. Furthermore, although it is not possible to predict the duration of the crisis situation induced by the pandemic and therefore to evaluate the impact of the pandemic on future operating results, the sensitivity analyses carried out also evaluating different scenarios with a forecast of a reduction in revenues and in some cases a review of operating costs, do not show, to date, any criticality in terms of impairment testing and evaluation of the items in the financial statements. Therefore, it is believed that business continuity is largely guaranteed, both in the ability to continue with the management and organization of business-as-usual activities even in the absence of cash generation, and in terms of the ability to implement the product and market strategy in the different geographical areas.

Due to the Group's solid financial position, even during the first half of 2020 we did not limit ourselves to tactical emergency management and also continued to create an ecosystem around our technologies, achieving two important goals in this regard: on the one hand, by joining the IBM Edge Ecosystem we have become part of the partner ecosystem created by IBM to help industrial companies and telecommunications companies accelerate the transition to Edge Computing in the age of 5G and Artificial Intelligence. According to IBM's vision, the convergence of 5G and Edge Computing technologies will create new forms of innovation: in this scenario, the collaboration with Eurotech provides added value for IBM customers looking for high-performance systems to install the IBM Cloud Pak for Data analysis software suite directly in the field. In this way it is possible to train models for analytics in the same place where the data to be analyzed is generated: data scientists and development teams can create, implement and manage applications based on artificial intelligence in an innovative way, with a reduction of time and costs. In addition, the combination of ESF with the IBM Edge Application Manager allows you to remotely manage analytical software and artificial intelligence applications that are installed in the field in real time and on a global scale.
With the AWS IoT Core certification, instead, ESF becomes an enabling framework for all device manufacturers who want to connect them to Amazon's AWS infrastructure for data collection and analysis. By virtue of the certification received from Amazon, ESF is in fact a key software component to reduce to almost zero the certification path of a hardware device that must securely transmit data to any AWS infrastructure in any country.

Looking beyond the short term, Eurotech will continue in the strategic direction traced to act as a partner for innovation for its customers, supporting them in their needs for product and process innovation and transformation of business models that the "Fourth Industrial Revolution" had already triggered and that

the pandemic is likely to accentuate, being the digital transformation one of the strongest weapons available to companies to counter the economic and organizational effects of the pandemic.
Eurotech is recognized as one of the main technological leaders in the industrial IoT market and in the emerging High Performance Edge Computer (HPEC) sector: for this reason Eurotech is a candidate to be a preferred partner to enable the digital transformation of businesses.

Operating performance

(€'000)		1H 2020	%	1H 2019	%
OPERATING RESULTS					
SALES REVENUES		36,188	100.0%	53,038	100.0%
GROSS PROFIT MARGIN	(*)	18,978	52.4%	26,340	49.7%
EBITDA	(**)	3,207	8.9%	10,874	20.5%
EBIT	(***)	1,111	3.1%	8,944	16.9%
PROFIT (LOSS) BEFORE TAXES		1,296	3.6%	8,692	16.4%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		577	1.6%	8,833	16.7%

(*) Gross profit margin is the difference between revenues from sales of goods and services and use of raw materials.
(**) EBITDA is an intermediate result, which includes depreciation, amortisation and impairment of assets, financial income and charges, valuation of equity interests in affiliates using the equity method, and income tax for the period. This is a measure used by the Group to monitor and assess operating performance. Since the composition of EBITDA is not regulated by the reference accounting standards, the calculation criterion applied by the Group may not be consistent with that used by other companies and would therefore not be comparable.
(***) EBIT is the result before financial income and charges, valuation of equity interests in affiliates using the equity method, and income tax for the period.

Turnover of the Group in the first half of 2020 amounted to €36.19 million, compared to €53.04 million in the first half of 2019, a decrease of 31.8%. At constant exchange rates, the decrease would be slightly higher at 33.3%. The first half was affected by several factors. Orders collection declined in 2020 as a result of coronavirus-related difficulties, which starting in the early months of the year gradually locked down the various countries and slowed the investment decisions of numerous customers, lengthening order release times and reducing the coverage period to an absolute minimum. Uncertainty also arose regarding decision-making and in some cases certain customers affected by the COVID pandemic modified their strategy. As happened at the end of the first quarter, the second quarter again recorded missed deliveries due, on one side, to the lockdowns in Europe and the United States, and on the other side to the uncertainty that has pushed some client companies to postpone deliveries as much as possible while waiting for more visibility on the contingent situation.

The global scenario had a significant impact on performance in the first half, but the impacts on the various geographic areas were different. Looking at the distribution of revenues by geographic location of Group activities, the strongest impact was recorded in America, which nevertheless continued to generate the highest contribution to the total figure with 42.2% (first half of 2019: 52.2%). Japan rose to second place with 34.0% (first half of 2019: 22.9%) as it has seen stable revenues in the two periods compared. Lastly, Europe represented the remaining 23.8% (first half of 2019: 24.6%).

The gross profit for the period amounted to €18.98 million, accounting for 52.4% of turnover, compared to 49.7% in the first half of 2019. The increase in gross profit compared to figures achieved in previous periods was definitely positive and placed it above the reference 50% threshold defined by the management. Gross profit is always monitored in order to achieve the desired profitability levels, and is an important indicator because it measures the alignment of the product mix sold with the strategy, and because it highlights customers' recognition of the innovation of our products. The good result achieved in terms of gross profit shows how Eurotech is able to develop high value-added technologies and products that continue to match the needs of the market in this crucial digital transformation era.

As regards operating costs gross of the applied adjustments, the total for the first six months was €17.51 million, in line with that recorded for the first quarter of the year and up 2.5% on the €17.09 million for the first half of 2019. At constant exchange rates, the increase would only have been 0.7%.
In this first half of the year, limited use was made of social safety nets as the operations of personnel was able for the most part to continue due to mass recourse to smart working, supported by the use of available remote communications and interaction technologies. Operations at the plant 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 lockdown 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 30 June 2020 reaching 326 (318 at 31 December 2019 and 310 at 30 June 2019), with a period average of 325 (309 in the first half of 2019).

As a result of these increases, payroll costs (which have the strongest impact on total operating costs) rose by 6% from €10.07 million to €10.68 million.
Given the fabless model adopted, operating costs are essentially fixed and, as demonstrated last year, significant operating leverage is activated as the turnover increases. This is demonstrated by the incidence of gross operating costs on revenues recorded in the first six months of 2020, which in percentage terms was 48.4% compared to 32.2% in the first half of 2019.

EBITDA amounted to €3.21 million, compared to €10.87 million in the first half of 2019, equivalent to 8.9% of revenues (20.5% in the same period of 2019), thereby reflecting both the trend of gross profit as well as the non-activation of operating leverage.

EBIT in the first six months was €1.11 million, compared to €8.94 million in the first half of 2019. EBIT as a percentage of revenues in the first six months was 3.1%, compared to 16.9% in the same period of 2019. This decline was due to the EBITDA trend reported above. The recognition of intangible assets amortisation and the depreciation of property, plant and equipment had a €2.04 million impact, compared to €1.92 million in the same period of 2019, whereas the impairment of property, plant and equipment totalled €60 thousand in 2020.

In the first six months of 2020, financial management recorded a gain of €0.18 million, compared with a loss of €0.25 million in the first half of 2019. The value for 2020 was affected by a different trend in exchange rates, which led to a positive effect of €389 thousand, while in 2019 the exchange rate difference provided a positive contribution of only €23 thousand. Financial management relative to interest had an impact of €184 thousand, a value lower than that of the first half of 2019 (€203 thousand).

The pre-tax result showed a profit of €1.30 million compared with €8.69 million for the first six months of 2019. The lower pre-tax result is directly linked to the effect of the reduction in turnover.

Estimated taxes, calculated based on the rates established for the year by governing regulations and - limited to and in only one Cash Generating Unit (CGU) - considering the tax benefit that would result from the recognition of deferred tax assets deriving from tax losses generated in the period, amount to €0.72 million. No deferred tax assets have been recognised on the period results of the Italian and French companies. In 2019, the incidence of taxes on the Income Statement was limited to the effect of the recognition of part of the deferred tax assets deriving from unrecognised tax losses in previous years, which almost fully covered the taxes for the period.
The net result for the Group was €0.58 million (€8.83 million in the first six months of 2019), with a 1.6% impact on revenues.

As indicated in the explanatory notes to the annual consolidated financial statements, the Group oversees a single line of business known as "NanoPC", which comprises a) embedded computing modules and systems for industrial, transport, medical, energy and defence uses; b) Edge computers featuring low power consumption and high performances, to be used both in Internet of Things (IoT) solutions and to create applications where Artificial Intelligence (AI) algorithms are used; c) software frameworks and platforms for 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.

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1H 2020	1H 2019	% YoY Change	1H 2020	1H 2019	% YoY Change	1H 2020	1H 2019	% YoY Change	1H 2020	1H 2019	% YoY Change	1H 2020	1H 2019	% YoY Change
Third party Sales	15,276	27,849		8,597	13,038		12,315	12,151		0	0		36,188	53,038	
Infra-sector Sales	191	508		1,673	3,612		308	448		(2,172)	(4,568)		0	0	
Total Sales revenues	15,467	28,357	-45.5%	10,270	16,650	-38.3%	12,623	12,599	0.2%	(2,172)	(4,568)	52.5%	36,188	53,038	-31.8%
Gross profit	6,577	11,738	-44.0%	5,311	8,235	-35.5%	7,218	6,506	10.9%	(128)	(139)	-7.9%	18,978	26,340	-27.9%
Gross profit margin - %	42.5%	41.4%		51.7%	49.5%		57.2%	51.6%					52.4%	49.7%	
EBITDA													3,207	10,874	-70.5%
EBITDA margin - %													8.9%	20.5%	
EBIT													1,111	8,944	-87.6%
EBIT margin - %													3.1%	16.9%	

North American revenues amounted to €15.47 million in the first half of 2020 and to €28.36 million in the first half of 2019, recording a decrease of 45.5%, including intersegment revenues. The orders portfolio at the end of 2019 had indicated a different quarterly distribution of revenues for 2020 compared to 2019. However, as a result of the pandemic, the entire second quarter and part of the first quarter suffered a delay in orders that were expected to cover the decline in revenues from one US customer in particular and a number of customer-requested postponements in deliveries already planned due to the production slowdown generated first by the lockdown and then by economic scenario uncertainties.
The European business area saw a decline in revenues from €16.65 million in the first half of 2019 to €10.27 million in the first half of 2020. In this area, too, the decrease is due on the one hand to a number of missed deliveries at the end of the first half, because of postponed goods acceptance partly from the chain of lockdown effects and partly the result of tactical decisions by some of the customers' businesses seeking to postpone deliveries pending stronger clarity in the contingent situation, and on the other hand by slowing in the conclusion of new opportunities, again caused by poor clarity in the future economic trend. In spite of this, medium-term trends remain positive thanks to the opportunities in the transport sector, products linked to HPEC (High Performance Embedded Computer) technologies and the Industry

4.0 paradigm, which could probably experience an acceleration in this moment of global and, in particular, European economic crisis.
Lastly, the Asia geographic area remained more or less stable (including intersegment revenues), increasing from €12.60 to €12.62 million. In this area, too, certain projects were delayed, but vice versa a number of medical sector customers offset the decrease in turnover caused by the uncertainties of customers operating in the industrial market. The opportunities for new joint development activities with major customers, which maintain the interest in new technologies that the Group's Japanese company is able to offer to its local customers, will remain important in the years to come.

The breakdown of revenues by type, which also in application of IFRS 15 represents the disclosure of disaggregated revenues, is as follows:

(€' 000)	1H 2020	%	1H 2019	%	% change
SALES BY TIPE					
Industrial revenues	33,253	91.9%	51,537	97.2%	-35.5%
Services revenues	2,935	8.1%	1,501	2.8%	95.5%
TOTALE SALES AND SERVICE REVENUES	**36,188**	**100.0%**	**53,038**	**100.0%**	**-31.8%**

The significant growth in revenues from services, which almost double year on year, is attributable to the higher income from the initial phases of IoT projects.

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

(€' 000)	1H 2020	%	1H 2019	%	% change
BREAKDOWN BY GEOGRAPHIC AREA					
European Union	6,411	17.7%	11,855	22.4%	-45.9%
United States	14,901	41.2%	27,134	51.2%	-45.1%
Japan	12,316	34.0%	12,153	22.9%	1.3%
Other	2,560	7.1%	1,896	3.6%	35.0%
TOTAL SALES AND SERVICE REVENUES	**36,188**	**100.0%**	**53,038**	**100.0%**	**-31.8%**

The breakdown of revenues by customer location highlights a decrease in turnover in the United States of 45.1%, though the United States was reconfirmed as the predominant area for the Group, accounting for 41.2% of total turnover in the first half of 2020.
Japan reported a slight decrease of 1.3%. As previously noted at the end of the year, this area continues to be the Group's second most important area, accounting for 34.0% of revenues.

In Europe, again with reference to customer location, turnover reflected a 45.9% reduction, partly explained also by the reclassification to “Other” (for 2020 only) of turnover generated in the United Kingdom, which recently exited from membership of the European Union. The EU accounted for 17.7% of total turnover. Including the UK turnover, this value would have been 21.2%, with a YoY decrease of 35.4%.

Statement of financial position

Non-current assets

(€'000)	at June 30, 2020	at December 31, 2019
Intangible assets	90,073	88,905
Property, Plant and equipment	6,689	6,565
Investments in other companies	162	162
Deferred tax assets	7,931	7,981
Medium/long term borrowing allowed to affiliates companies and other Group companies	89	89
Other non-current assets	691	665
Total non-current assets	105,635	104,367

The "Non-current assets" item shown in the table above increased from €104.37 million in 2019 to €105.64 million in the first half of 2020. The change mainly reflects investments made and changes in intangible assets and property, plant and equipment arising from the different conversion ratio for financial statements in foreign currency.

The Group's main investments break down as follows:

(€'000)	at June 30, 2020	at December 31, 2019	at June 30, 2019
Intangible assets	1,978	3,055	1,956
Property, plant and equipment	1,091	1,290	290
Investments	-	-	-
TOTAL MAIN INVESTMENTS	3,069	4,345	2,246

Current assets

(€'000)	at June 30, 2020	at December 31, 2019	Changes
Inventories	20,609	21,256	(647)
Contracts in progress	-	-	-
Trade receivables	12,451	11,707	744
Income tax receivables	544	269	275
Other current assets	2,313	2,115	198
Other current financial assets	110	108	2
Cash & cash equivalents	30,047	30,687	(640)
Total current assets	66,074	66,142	(68)

Current assets remained stable compared to 31 December 2019: €66.14 million at 31 December 2019, €66.07 million for the first half of 2020.

The increase in trade receivables is linked to the trend in collections from customers. The decrease in inventories remains in line with the trend in planned deliveries and reflects the stock rationalisation policy, whilst the decline in liquidity is attributable mainly to investments made and to loan repayments.

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 June 30, 2020 (b)	at December 31, 2019 (a)	at June 30, 2019	Changes (b-a)
Inventories	20,609	21,256	22,231	(647)
Trade receivables	12,451	11,707	16,556	744
Income tax receivables	544	269	162	275
Other current assets	2,313	2,115	2,790	198
Current assets	**35,917**	**35,347**	**41,739**	**570**
Trade payables	(10,680)	(11,562)	(15,960)	882
Income tax liabilities	(839)	(1,182)	(590)	343
Other current liabilities	(7,615)	(7,713)	(6,124)	98
Current liabilities	**(19,134)**	**(20,457)**	**(22,674)**	**1,323**
Net working capital	16,783	14,890	19,065	1,893

Net working capital increased compared to 31 December 2019. This change is primarily due to the increase in current assets and, in particular, the value of trade receivables, while current liabilities decreases mainly as a result of suppliers and taxes paid. It should also be noted that the net working capital at 30 June 2020 decreased compared to the value recorded at 31 March 2020, which was €17.53 million.
Net working capital as a rolling ratio of turnover in the last twelve months was 19.7%, compared to 14.6% at 31 December 2019 and 20.1% at 30 June 2019. The YoY figure therefore remains below the 20% limit, in line with that hoped for by management.

Net financial position

The net financial position at the end of each period indicated is broken down in the table below.

(€'000)		at June 30, 2020	at December 31, 2019
Cash & cash equivalents	A	(30,047)	(30,687)
Cash equivalent	**B=A**	**(30,047)**	**(30,687)**
Other current financial assets	C	(110)	(108)
Derivative instruments	D	65	44
Short-term borrowing	E	7,490	7,001
Short-term financial position	**F=C+D+E**	**7,445**	**6,937**
Short-term net financial position	**G=B+F**	**(22,602)**	**(23,750)**
Medium/long term borrowing	H	12,632	11,590
Medium-/long-term net financial position	**I=H**	**12,632**	**11,590**
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	(9,970)	(12,160)
Medium/long term borrowing allowed to affiliates companies and other Group	K	(89)	(89)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	(10,059)	(12,249)

The consolidated net financial position at 30 June 2020 amounted to net cash of €10.06 million, compared to a net financial position with net cash of €12.25 million at 31 December 2019. The application of the IFRS 16 accounting standard, adopted by the company from 1 January 2019, entailed the recognition by Group companies of financial liabilities for rights of use at 30 June 2020 equal to €3.07 million that, added to the net financial position, resulted in a pre-IFRS 16 net cash position of €13.1 million. With regard to liquidity, which totalled €30.05 million, it was used during the period to support current operations and relative disbursements, also with regard to tax, maintaining a "virtuous" approach in this phase of the pandemic, regularly respecting the payment deadlines for tax commitments. This use of cash was offset by the injection of new liquidity from funding made available by the banks.

Cash flows

(€'000)		at June 30, 2020	at December 31, 2019	at June 30, 2019
Cash flow generated (used) in operations	A	576	20,909	7,680
Cash flow generated (used) in investment activities	B	(2,346)	(4,307)	(2,232)
Cash flow generated (absorbed) by financial assets	C	1,542	844	1,773
Net foreign exchange difference	D	(412)	45	(3)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(640)	17,491	7,218
Opening amount in cash & cash equivalents		**30,687**	**13,196**	**13,196**
Cash & cash equivalents at end of period		**30,047**	**30,687**	**20,414**

Investments and research and development

At 30 June 2020, technical investments (tangible assets) in buildings, systems, equipment and instruments amounted to €792 thousand, while investments in other assets amounted to €131 thousand. Furthermore, during the first half the Group purchased software licenses relating to production for €150 thousand and €203 thousand in licenses and consultancy for implementing the new ERP system.
The increase in investments is mainly attributable to the Parent Company's recognition of the preliminary purchase agreement for the office building used as the Amaro registered office, signed on 10 February 2020. On signing the preliminary agreement, the company gained full availability of the premises and the payment of monthly rent instalments ceased. The right-of-use value was reclassified to the item "land and buildings" and the €670 thousand increase reflects adjustment of the building value to the overall purchase value of €1.2 million, which the company will pay by 31 January 2021.
During the period, the Group invested in industrial research and development and technological innovation for new products and processes improvement. Research resulted in the development of new products/applications in the field of: highly integrated, low-consumption embedded computers and systems, IoT framework and integration platform, edge computers, intelligent sensors and embedded supercomputers. Moreover, technological innovation enabled the Company to achieve improvements in product quality in order to reduce production costs, with a resulting increase in business competitiveness.
During the period, development costs for new products were capitalised for €1,430 thousand (€1,516 thousand in the first half of 2019).

Competitive scenario, outlook and future growth strategy

Although the year 2020 has been impacted by the prolonged effect of the pandemic and the inertia of the recovery, the Group's worldwide positioning both in the Embedded Computing market and in the emerging IoT market, in addition to the Group's solidity from the equity and financial point of view, allow us to look with a certain positivity at the trend for the years to come, believing that in the medium term we can return to the growth levels expected at the end of 2019.
Looking beyond the short term, Eurotech will continue in the strategic direction it has set out to play the role of innovation partner for its customers, supporting them in their needs for product and process innovation and transformation of business models that the "Fourth Industrial Revolution" had already triggered and that the pandemic is likely to accentuate, as digital transformation is one of the strongest weapons available to companies to counter the economic and organizational effects of the pandemic.
From a financial perspective, in addition to the Group's resources, the ongoing support of banking institutions continues to be critical in the current macroeconomic situation and in supporting internal growth.
The Group's strategies continue to follow the guidelines adopted in recent years. The implementation of the strategic plan specifically includes the following actions:

- the development and supply 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 and marketing activities with greater presence in social media channels;
- the expansion of the partner ecosystem that allows from a technical point of view to follow and have access to the product road maps of some global partners and from a commercial point of view to use indirect channels to offer our products and in some cases to provide a complete product offer;

- heightened 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 and specific geographic areas or as facilitators of cross-selling between subsidiaries.

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

The Parent Company Eurotech S.p.A. held 349,520 treasury shares at the end of the reporting period. During the first half of 2020, the Parent Company did not purchase or sell treasury shares on the market; however, 90,500 shares were assigned to employees as part of the existing performance plan.

Disclosure on sovereign exposure

Pursuant to Consob Communication 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.

Regulatory simplification process 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.

Corporate governance information

The “Report on Corporate Governance and Ownership Structure” (hereinafter “Report”) envisaged by Art. 123-bis of the Consolidated Law on Finance was prepared as an independent document, approved by the Board of Directors on 12 March 2020 and published on the Company's website at www.eurotech.com in the “Investors” section along with the financial statements.
The Report was drafted in accordance with the recommendations of the Corporate Governance Code of July 2018, using as a model the “Format for the Report on Corporate Governance and Ownership Structure - VII Edition (January 2018)” prepared by Borsa Italiana S.p.A.
The report provides a general and complete overview of the corporate governance system adopted by Eurotech S.p.A. The Company’s profile and the principles to which it aspires are described. It contains information on the ownership structure and compliance with the Corporate Governance Code, including the principal governance policies applied and the main features of the internal control and risk management system. Furthermore, it includes a description of the functioning and composition of administrative and control bodies and their committees, roles, responsibilities and competencies.
The criteria for determining directors’ compensation are described in the “Remuneration Report”, drafted in compliance with the requirements envisaged by Art. 123-ter of the Consolidated Law on Finance and

Art. 84-quater of the Consob Issuers' Regulation and published in the "Investors / Shareholder Information" section of the Company's website.

Unusual and/or atypical transactions

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

Events after the reporting period

No significant events took place after the reporting date and up to 4 September 2020.

Financial statements for the condensed consolidated half-year report at 30 June 2020

Consolidated statement of financial position

(€'000)	Notes	at June 30, 2020	of which related parties	at December 31, 2019	of which related parties
ASSETS					
Intangible assets	1	90,073		88,905	
Property, Plant and equipment	2	6,689		6,565	
Investments in other companies	3	162		162	
Deferred tax assets	26	7,931		7,981	
affiliates companies and other Group companies		89	89	89	89
Other non-current assets		691		665	
Total non-current assets		105,635		104,367	
Inventories	4	20,609		21,256	
Trade receivables	5	12,451		11,707	
Income tax receivables	6	544		269	
Other current assets	7	2,313		2,115	
Other current financial assets	8	110	18	108	15
Cash & cash equivalents	9	30,047		30,687	
Total current assets		66,074		66,142	
Total assets		171,709		170,509	
LIABILITIES AND EQUITY					
Share capital		8,879		8,879	
Share premium reserve		136,400		136,400	
Other reserves		(19,896)		(20,623)	
Group shareholders' equity	11	125,383		124,656	
Equity attributable to minority interest	11	-		-	
Total shareholders' equity	11	125,383		124,656	
Medium-/long-term borrowing	13	12,632		11,590	
Employee benefit obligations	14	2,752		2,604	
Deferred tax liabilities	26	3,314		3,097	
Other non-current liabilities	15	939		1,060	
Total non-current liabilities		19,637		18,351	
Trade payables	16	10,680		11,562	
Short-term borrowing	13	7,490		7,001	
Derivative instruments	29	65		44	
Income tax liabilities	6	839		1,182	
Other current liabilities	17	7,615		7,713	
Total current liabilities		26,689		27,502	
Total liabilities		46,326		45,853	
Total liabilities and equity		171,709		170,509	

Consolidated income statement

(Migliaia di Euro)	Notes	1H 2020	%	of which related parties	1H 2019	%	of which related parties
Revenues from sales of products and services	D	36,188	100.0%	2	53,038	100.0%	326
Other revenues	23	284	0.8%		103	0.2%	
Cost of materials	18	(17,210)	-47.6%	-	(26,698)	-50.3%	0
Service costs	20	(6,239)	-17.2%	-	(6,427)	-12.1%	0
Lease & hire costs		(215)	-0.6%		(161)	-0.3%	
Payroll costs	21	(10,684)	-29.5%		(10,075)	-19.0%	
Other provisions and other costs		(376)	-1.0%		(422)	-0.8%	
Cost adjustments for in-house generation of non-	22	1,459	4.0%		1,516	2.9%	
Depreciation & amortisation	24	(2,036)	-5.6%		(1,920)	-3.6%	
Asset impairment	24	(60)	-0.2%		(10)	0.0%	
Operating profit		1,111	3.1%		8,944	16.9%	
Subsidiaries management		-	0.0%		0	0.0%	
Finance expense	25	(531)	-1.5%		(506)	-1.0%	
Finance income	25	716	2.0%	2	254	0.5%	3
Profit before taxes		1,296	3.6%		8,692	16.4%	
Income tax	26	(719)	-2.0%		141	0.3%	
Net profit (loss)		577	1.6%		8,833	16.7%	
Minority interest		-	0.0%		0	0.0%	
Group net profit (loss) for period		577	1.6%		8,833	16.7%	
Base earnings (losses) per share	12	0.016			0.255		
Diluted earnings (losses) per share	12	0.016			0.255		

Consolidated statement of comprehensive income

(€'000)	Notes	1H 2020	1H 2019
Net profit (loss) before minority inerest (A)		577	8,833
Other elements of the statement of comprehensive			
Other comprehensive income to be reclassified to profit or loss insubsequent periods:			
Net profit/(loss) from Cash Flow Hedge	29	(21)	(51)
Tax effect		-	-
		(21)	(51)
Foreign balance sheets conversion difference		184	1,428
Exchange differences on equity investments in foreign companies	11	(247)	232
Tax effect		-	-
		(247)	232
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)		*(84)*	*1,541*
Comprehensive net result (A+B+C)		493	10,442
Comprehensive minority interest		-	-
Comprehensive Group net profit (loss) for period		493	10,442

Consolidated statement of changes in 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 June 30, 2019		-	-	-	-	-	-	-	-	-	8,833	8,833	-	8,833
Comprehensive other profit (loss):														
- Hedge transactions	30	-	-	-	-		(51)	-	-	-	-	(51)	-	(51)
- Actuarial gains/(losses) on defined benefit plans for employees		-	-	-	-	-	-	-	-	-	-	-	-	-
- Foreign balance sheets conversion difference		-	-	-	1,428	-			-	-	-	1,428	-	1,428
- Exchange differences on equity investments in foreign companies		-	-	-	-	-	-	-	232	-	-	232	-	232
Total Comprehensive result		**-**	**-**	**-**	**1,428**	**-**	**(51)**	**-**	**232**	**-**	**8,833**	**10,442**	**-**	**10,442**
- Performance Share Plan	31	-	-	-	-	268	-	-	-	113	-	381	-	381
Balance as at June 30, 2019		8,879	1,776	136,400	13,651	(58,365)	(71)	(425)	4,157	(1,970)	8,833	112,865	-	112,865

(€'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 June 30, 2020		-	-	-	-	-	-	-	-	-	577	577	-	577
Comprehensive other profit (loss):														
- Hedge transactions	29	-	-	-	-		(21)	-	-	-	-	(21)	-	(21)
- Foreign balance sheets conversion difference		-	-	-	184	-			-	-	-	184	-	184
- Exchange differences on equity investments in foreign companies		-	-	-	-	-	-	-	(247)	-	-	(247)	-	(247)
Total Comprehensive result		**-**	**-**	**-**	**184**	**-**	**(21)**	**-**	**(247)**	**-**	**577**	**493**	**-**	**493**
- Performance Share Plan	30	-	-	-	-	22	-	-	-	212	-	234	-	234
Balance as at June 30, 2020		8,879	1,776	136,400	14,408	(39,643)	(65)	(531)	4,403	(821)	577	125,383	-	125,383

Consolidated cash flow statement

CONSOLIDATED STATEMENT OF CASH FLOWS (€'000)	Notes	at June 30, 2020	of which related parties	at June 30, 2019	of which related parties
CASH FLOWS GENERATED BY OPERATIONS:					
Group net profit (loss) for period		577		8,833	
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:					
Depreciation & amortization intangible assets, property, plant and equipm	24	2,096		1,930	
Write-down of receivables	5	44		55	
Interest income	25	(5)		(8)	
Interest expenses	25	227		289	
Impairment of investments in other companies	3	-		-	
Gain from investments in associates copanies		-		-	
Income taxes (paid) get		(509)		(1,317)	
Income taxes of the period	26	719		(141)	
Stock Grant expenses	30	234		381	
Provision for (use of) cumulative inventory write-down	4	(388)		469	
Provision for (use of) long-term employee severance indemnities	14	148		144	
Provision for (use of) risk provision	15	(121)		27	
Changes in current assets and liabilities					
Trade receivables	5	(697)	0	(2,662)	739
Other current assets	7/8	(483)		(462)	
Inventories and contracts in process	4	1,121		(393)	
Trade payables	16	(899)		1,436	0
Other current liabilities	17	(1,488)		(901)	
Total adjustments and changes		(1)		(1,153)	
Cash flow generated (used) in operations		576		7,680	
CASH FLOW FROM INVESTMENT ACTIVITIES:					
Sales of tangible and intangible assets	1/2	-		18	
Interest income	25	5		8	
Purchase of intangible fixed assets	1	(1,978)		(1,956)	
Purchase of tangible fixed assets	2	(345)		(290)	
Decreases (Increases) other financial assets	8	(2)		(3)	
Net investments in long-term investments and non-current assets		(26)		(9)	
Cash flow generated (used) in investment activities		(2,346)		(2,232)	
CASH FLOW FROM FINANCING ACTIVITIES:					
Loans taken	13	5,489		7,525	
Interest paid		(227)		(289)	
(Repaid) loans short and medium/long term	13	(3,720)		(5,463)	
Cash flow generated (absorbed) by financial assets		1,542		1,773	
Net foreign exchange difference		(412)		(3)	
Increases (decreases) in cash & cash equivalents		(640)		7,218	
Opening amount in cash & cash equivalents	9	30,687		13,196	
Cash & cash equivalents at end of period	9	30,047		20,414	

Explanatory notes to the financial statements

A – Corporate information

The publication of the condensed consolidated half-year financial statements of Eurotech S.p.A. for the period ended 30 June 2020 was authorised by resolution of the Board of Directors on 4 September 2020. 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 D.

B – Reporting policies and IFRS compliance

The consolidated annual financial statements of Eurotech Group were prepared in accordance with IFRS accounting standards issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Art. 6 of EC Regulation 1606/2002 of the European Parliament and European Council of 19 July 2002.
These condensed consolidated half-year financial statements for the six-month period ended 30 June 2020 were prepared in accordance with the provisions of IAS 34 "Interim Financial Reporting", Art. 154-ter of the Consolidated Law on Finance and subsequent amendments, as well as the relevant Consob provisions. These condensed consolidated half-year financial statements do not contain all the information and notes required for drafting the consolidated annual financial statements and therefore this report must be read together with the consolidated annual financial statements at 31 December 2019.
To prepare the interim financial statements, management must make estimates and assumptions that affect the values of revenues, costs, assets and liabilities in the financial statements and the disclosure of potential assets and liabilities at the interim reporting date. If in the future, these estimates and assumptions, which are based on management's best assessments, differ from the actual circumstances, they would be modified appropriately in the period in which the circumstances arise. For a more detailed description of the Group's most significant valuation processes, please refer to note "C - Discretionary valuations and relevant accounting estimates" in the consolidated financial statements at 31 December 2019.
Moreover, note that certain valuation processes, in particular, more complex ones, such as calculating any impairment of non-current assets, are generally carried out fully only upon drafting of the annual financial statements, when all necessary information is available, except in cases in which there are impairment indicators that require an immediate assessment of any losses in value.
Income taxes are recognised based on the best estimate of the weighted average rate expected for the entire year.
The accounting standards, consolidation principles, and valuation criteria applied to prepare the condensed consolidated half-year financial statements are consistent with those used to draft the consolidated financial statements at 31 December 2019. The sole exception is for the adoption of new accounting standards, amendments and interpretations in force from 1 January 2020.

The standards, amendments and interpretations that became effective on 1 January 2020 and which are applicable for the first time to the Financial Report at 30 June 2020 are briefly described below. 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. These amendments became effective for business combinations arranged from 1 January 2020.
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. These amendments became effective from 1 January 2020.

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.
These amendments apply to financial statements for years beginning on or after 1 January 2020.

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 new aspects introduced by the IASB, Regulation (EU) 2020/34, published in the Official Journal of the European Union on 16 January 2020, amends Regulation (EC) 1126/2008.
The regulation must be applied at the latest from the start of the first financial year beginning on or after 1 January 2020.

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

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.

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 consolidated financial report at 30 June 2020 was drafted in euro, rounding amounts to the nearest thousand and consist of the statement of financial position, income statement, statement of comprehensive income, statement of changes in 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.

The condensed consolidated half-year financial report has been prepared in accordance with the general criteria of reliable and accurate presentation of the Group's financial position and results, as well as the cash flows, in compliance with the general principles of business continuity, accrual accounting, consistency of presentation, materiality and aggregation, prohibition of offsetting, and comparability of information.

C – Scope of consolidation

The condensed consolidated half-year financial statements include the half-year 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, makes financial and operating decisions and obtains the respective benefits.
Subsidiaries are consolidated from the date at which control is effectively transferred to the Group, and cease to be consolidated on the date at which control is transferred outside the Group.
The companies consolidated line-by-line in the basis of consolidation at 30 June 2020 are as follows:

Company name	Registered offices	Share capital	Group share
Parent company			
Eurotech S.p.A.	Via Fratelli Solari, 3/A – Amaro (UD)	Euro 8,878,946	
Subsidiaries consolidated line-by-line			
Aurora S.r.l.	Via Fratelli Solari, 3/A – Amaro (UD)	Euro 10,000	100.00%
EthLab S.r.l.	Via Dante, 300 – Pergine Valsugana (TN)	Euro 115,000	100.00%
Eurotech Inc.	Columbia, MD (USA)	USD 26,500,000	100.00%
Eurotech Ltd.	Cambridge (UK)	GBP 33,333	100.00%
E-Tech USA Inc.	Columbia, MD (USA)	USD 8,000,000	100.00%
Eurotech France S.A.S.	Vénissieux (France)	Euro 795,522	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Via Piave, 54 – Caronno Varesino (VA)	Euro 51,480	100.00%
Advanet Inc.	Okayama (Japan)	JPY 72,440,000	90.00% (1)

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

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

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

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

Currency	Average 6M 2020	As of June 30, 2020	Average 2019	As of December 31, 2019	Average 6M 2019	As of June 30, 2019
British pound sterling	0.87463	0.91243	0.87777	0.85080	0.87363	0.89655
Japanese Yen	119.26683	120.66000	122.00577	121.94000	124.28360	122.60000
USA Dollar	1.10205	1.11980	1.11948	1.12340	1.12978	1.13800

D – Segment reporting

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.

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1H 2020	1H 2019	% YoY Change	1H 2020	1H 2019	% YoY Change	1H 2020	1H 2019	% YoY Change	1H 2020	1H 2019	% YoY Change	1H 2020	1H 2019	% YoY Change
Third party Sales	15,276	27,849		8,597	13,038		12,315	12,151		0	0		36,188	53,038	
Infra-sector Sales	191	508		1,673	3,612		308	448		(2,172)	(4,568)		0	0	
Total Sales revenues	15,467	28,357	-45.5%	10,270	16,650	-38.3%	12,623	12,599	0.2%	(2,172)	(4,568)	52.5%	36,188	53,038	-31.8%

As regards the sales performance by geographic area, shown in the above table, note that - as reported previously - there was a significant decrease in North American and Europe due to the pandemic, whilst Asia remained essentially unchanged.

The table below shows assets and investments in the Group's individual business segments at 30 June 2020 and 31 December 2019.

(€'000)	North America		Europe		Asia		Correction, reversal and elimination		Total	
	1H 2020	FY 2019	1H 2020	FY 2019	1H 2020	FY 2019	1H 2020	FY 2019	1H 2020	FY 2019
Assets and liabilites										
Segment assets	47,105	48,187	87,042	88,790	78,536	76,614	-41,407	-43,244	171,276	170,347
Investments in subsidiaries non consolidated, associate & other companies	117	117	45	45	0	0	0	0	162	162
Total assets	**47,222**	**48,304**	**87,087**	**88,835**	**78,536**	**76,614**	**-41,407**	**-43,244**	**171,438**	**170,509**
Segment liabilities	44,793	46,865	26,633	27,577	16,017	14,618	-41,388	-43,207	46,055	45,853
Total liabilities	**44,793**	**46,865**	**26,633**	**27,577**	**16,017**	**14,618**	**-41,388**	**-43,207**	**46,055**	**45,853**
Other segment information										
Investments in tangible assets	168	4	816	259	107	441	0	0	1,091	290
Investments in intangible assets	204	436	1,623	1,804	151	293	0	0	1,978	1,956
Depreciation & amortisation	343	716	1,037	1,123	595	445	0	0	1,975	1,930

E - Breakdown of main items of the statement of financial position

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	14	-	353	1,611	-	1,978
Disposals	(1,200)	-	-	-	-	(1,200)
Other changes	(52)	229	(152)	(4)	824	845
Transfers	1,441	-	469	(1,910)	-	-
Amortisation in period	(871)	-	(188)	-	-	(1,059)
Reversal of cumulative amortisation	1,200	-	-	-	-	1,200
Other changes in cumulative impairment	-	(21)	256	-	-	235
Other changes in cumulative amortisation	2	-	(9)	-	(824)	(831)
TOTAL CHANGES	**534**	**208**	**729**	**(303)**	**-**	**1,168**
Purchase or production costs	14,429	81,205	22,922	2,983	29,809	151,348
Impairment	(778)	(8,017)	(7,756)	(56)	-	(16,607)
Cumulative amortisation	(9,427)	-	(5,432)	-	(29,809)	(44,668)
CLOSING BALANCE	**4,224**	**73,188**	**9,734**	**2,927**	**-**	**90,073**

The increase of €1.17 million derives from the combination of new investments for €1.98 million, the effect of exchange rate differences for €0.25 million, as well as the amortisation recorded in the first half for €1.06 million. The total, in fact, grew from €88.90 million last year to €90.07 million at the end of the first half of 2020.

The investments made in the first six months mainly concern Group projects to develop new products both in new IoT technologies and low-energy-consumption products and the capitalisation of costs related to the project for the new ERP information system.

The “other changes”, “other changes, accumulated write-downs” and “other changes, accumulated amortisation” items refer to exchange differences accrued on the opening balances of the values expressed in foreign currencies.

Goodwill refers to the higher value paid, upon acquisition of fully consolidated subsidiaries, in excess of the fair value of the assets and liabilities acquired. Effective 1 January 2004, goodwill is no longer subject to amortisation but must be subjected at least annually to impairment testing.

In order to carry out the annual impairment test, the individual goodwill items and the assets with indefinite and definite useful lives, which were acquired through business combinations, were allocated to their respective cash flow generating units, corresponding to the legal entity or Group of companies to which they refer to test for impairment.

The book value of goodwill and trademarks with indefinite useful lives allocated to each of the cash generating units are as follows:

(€ '000)	at June 30, 2020		at December 31, 2019	
Cash generating units	**Goodwill**	**Trademark with an indefinite useful life**	**Goodwill**	**Trademark with an indefinite useful life**
Advanet Inc.	46,218	8,776	45,733	8,684
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	21,908	-	21,838	-
Eurotech Ltd. (ex Arcom Ltd.)	4,786	-	5,133	-
Eurotech France S.a.s.	186	-	186	-
Other	90	-	90	-
TOTAL	**73,188**	**8,776**	**72,980**	**8,684**

The change in the values of Advanet Inc., Eurotech Inc. and Eurotech Ltd. is attributable to the fact that these values are expressed in the functional currency of foreign operations and subsequently converted at each reporting date using the precise exchange rate on that date.

For the purpose of verifying any impairment of goodwill and other intangible assets with definite useful lives allocated to the various CGUs, the Group again critically analysed, at 30 June 2020, the valuation processes conducted at 31 December 2019, approved by the Board of Directors on 6 March 2020 which were carried out with the support of independent experts. Again with the support of independent consultants (the same that carried out the analysis as at 31.12.2019) on the basis of the elements currently available, the financial statements of the various CGUs as at 30 June 2020 were analyzed, comparing them with the data for 2019, the 2020 budget and a forecast at the end of the year made by each CGUs. For the CGUs that showed a reduction in turnover and a decrease in EBITDA compared to budget expectations, the relative impairment test was carried out, while the Advanet CGU, which showed a slight increase in turnover and an increase in EBITDA compared to the 2020 budget at 30 June 2020, was not subject to impairment testing. A further element considered for not carrying out the impairment test on the Advanet CGU was the substantial unchange in market conditions (WACC and long-term growth rate).
Given the difficulty and uncertainty in defining the budget and in defining the forecasts necessary to estimate value in use, it was considered appropriate to apply the Expected Value Approach, as it is the

most effective method to reflect the uncertainties of the Covid-19 pandemic in estimating value in use. This approach consists of preparing several scenarios relating to the pandemic trend and its impact on cash flows and weighting each of the scenarios on the basis of the probability of its occurrence (the probability of occurrence represents the probability associated with the occurrence of each scenario on the basis of the information available and the underlying commercial expectations). This methodology was considered to be more readily linked to the underlying commercial expectations than the addition of a "Covid-19" risk premium to the discount rate, which may be more arbitrary and for which there may not be a supporting evidence base.
Consequently, management has prepared two alternative scenarios (best-case scenario and worst-case scenario) and associated probability of occurrence based on its own expectations and experience.
While the "best" scenario envisages that for the years 2021-2024 the results in terms of revenues and costs will be in line with those envisaged in the plan, the "worst" scenario has been hypothesised starting from the estimate for 2020 and applying for company the revenue growth percentages envisaged in the 2020-2024 plan prepared during the impairment test at 31.12.2019, with some adjustments to reflect a consistent trend in costs.

Below is the evolution of the discount rate (WACC), taking into account the changes that occurred during the half-year, having taken care to sterilize the effects of the expansionary monetary policies adopted by central banks to address the economic impacts that the Covid-19 pandemic will have on the economies of the countries:

	1H 2020			FY 2019		
	USA	FRA	UK	USA	FRA	UK
Risk free	2.10%	2.20%	0.90%	2.14%	2.46%	0.88%
Total Market Premium	5.60%	6.20%	5.80%	5.60%	6.00%	6.20%
Beta unlevered	from 0.97 to 1.05	from 0.97 to 1.05	from 0.97 to 1.05	from 0.94 to 1.03	from 0.93 to 1.03	from 0.94 to 1.03
WACC	from 7.30% to 11.20%	from 8.00% to 11.90%	from 6.40% to 10.20%	from 7.35% to 11.39%	from 8.04% o 12.12%	from 6.66% to 10.75%

With reference to the growth rate "g" used for the purposes of determining the terminal value, the same as that provided at 31.12.2019 (1.5%) was used, which is consistent with the inflation and GDP expectations of the countries in which the CGUs operate and also with reference to the terminal value itself, the same assumptions made for the impairment test carried out at 31.12.2019 were used.

From the weighting of the two scenarios indicated above, based on the considerations made by management, although the recoverable values of the CGUs are lower than those determined as at 31.12.2019, there is no need to proceed with asset write-downs. Only by operating a strong stress simulation on the two scenarios hypothesised, would situations of impairment of value contained in the Eurotech France and Eurotech LTD CGUs begin to emerge.

At a general level, the directors in their analyses considered not only internal indicators but also external indicators (such as the stock market performance of the Eurotech share and its capitalization as well as changes in the technological, market, economic or regulatory environment) and deemed the values recorded to be adequate and recoverable.

2 – Property, plant and equipment

The table below shows changes in the historical cost and accumulated depreciation and the value of the assets in the period under review:

(€ '000)	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION & ADVANCES	RIGHT OF USE ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
Purchase of production cost	1,686	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	670	25	97	131	-	168	1,091
Disposals	-	-	(5)	(2)	-	-	(7)
Other changes	-	43	25	(22)	(33)	(3)	10
Impairment in period	(60)	-	-	-	-	-	(60)
Transfers	491	-	-	-	-	(491)	-
Depreciation in period	(36)	(32)	(86)	(119)	-	(704)	(977)
Reversal of cumulative depreciation	-	-	5	2	-	-	7
Other changes in cumulative amortisation	-	(41)	(20)	24	-	97	60
TOTAL CHANGES	**1,065**	**(5)**	**16**	**14**	**(33)**	**(933)**	**124**
Purchase or production cost	2,847	5,956	5,466	5,979	2	5,171	25,421
Depreciation	(101)	-	-	-	-	-	(101)
Cumulative depreciation	(633)	(5,717)	(5,058)	(5,132)	-	(2,091)	(18,631)
CLOSING BALANCE	**2,113**	**239**	**408**	**847**	**2**	**3,080**	**6,689**

The item "other changes", referring to both the cost and the value of the relative accumulated depreciation, shows the effect of the different exchange rate used to convert the values of foreign entities at 30 June 2020 compared to that applied at 31 December 2019.
The purchases in the first half relating to "land and buildings" refer to recognition of the preliminary purchase agreement signed on 10 February 2020 by the Parent Company for purchase of the office building in Amaro. On signing the preliminary agreement, the Parent Company gained full availability of the premises and the payment of monthly rent instalments ceased. As indicated in the contract, the definitive contract will be signed by 31 January 2021 for an overall purchase price of €1.2 million. At 30 June 2020, the book value of the right of use (€491 thousand) was reclassified, and the value of the building was increased by €670 thousand to align it with the lease value.
The other purchases mainly refer to computers, office equipment, industrial equipment and cars.

The item "fixed assets with right of use" includes both lease contracts always recognised using the financial method and mainly referring to some cars purchased by the Parent Company, as well as the amounts related to application of the IFRS 16 standard, which requires that lease contracts be recognised as assets.

3 – Equity interests in affiliates and other companies

The table below shows changes in equity interests in affiliates and other companies in the reporting period:

	at June 30, 2020						
(€'000)	INITIAL VALUE	INCREASES	DECREASES	WRITE-UPS /WRITE-DOWN	OTHER	EOP VALUE	% OWNERSHIP
Investments in associate companies (valuation using the equity method):							
Rotowi Technologies S.r.l. in liquidazione (ex U.T.R.I. S.p.A.)	-	-	-	-	-	-	21.32%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	-	-	-	-	-	-	
Investments in other companies (valuation at fair value on the Profit&Loss):							
Consorzio Ecor' IT	2	-	-	-	-	2	
Consorzio Aeneas	5	-	-	-	-	5	
Consorzio Ditedi	19	-	-	-	-	19	7.69%
Inasset S.r.l.	19	-	-	-	-	19	0.38%
Consorzio Rete Space Italy	-	-	-	-	-	-	
Kairos Autonomi	116	-	-	-	-	116	19.00%
Others	1	-	-	-	-	1	
TOTAL INVESTMENTS IN OTHER COMPANIES	162	-	-	-	-	162	

The company Rotowi Technologies S.r.l. in liquidation (formerly U.T.R.I. S.p.A.) was valued with the equity method; the equity stake was equal to 21.32%.

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

4 - Inventories and contracts in progress

The table below shows the breakdown of inventories at the end of the relevant reporting periods:

(€'000)	at June 30, 2020	at December 31, 2019
Raw & auxiliary materials and consumables - gross	10,623	11,070
Inventory write-down provision	(2,437)	(2,611)
Raw & auxiliary materials and consumables - net	**8,186**	**8,459**
Work in process and semi-finished goods - gross	2,952	2,146
Inventory write-down provision	(125)	(148)
Work in process and semi-finished goods	**2,827**	**1,998**
Finished poducts and goods for resale - gross	12,092	13,449
Inventory write-down provision	(2,896)	(3,051)
Finished products and goods for resale - net	**9,196**	**10,398**
Advances	**400**	**401**
TOTAL INVENTORIES	**20,609**	**21,256**

Inventories at 30 June 2020 amounted to €20.61 million, net of the inventory write-down provision totalling €5.46 million. The net decrease in the inventory write-down provision of €0.35 million is the result of the combined effect of allocations made during the period and the uses following the disinvestment of warehouse items that had previously been either fully or partially written down.

The following table shows the changes in inventory write-down provision in the periods under review:

(€'000)	at June 30, 2020	at December 31, 2019
OPENING BALANCE	**5,810**	**5,204**
Provisions	121	1,760
Other changes	17	81
Utilisation	(490)	(1,235)
CLOSING BALANCE	**5,458**	**5,810**

The item "other changes" represents the movements in values expressed in the functional currency of foreign operations and subsequently converted at each reporting date using the exchange rate on that date.

The table below shows information related to contracts in progress at 30 June 2020 and 31 December 2019:

(€'000)	at June 30, 2020	at December 31, 2019
Contract revenues recognised as revenue in the period	-	98
Contract costs bome as at balance-sheet date	-	85
Profits recognised as at balance-sheet date	-	13
Down payments received	-	856
Contract costs and proits recognised as at balance-sheet date	-	-
Revenues recognised in previous periods	-	856
Billing based on completion status	-	-
Gross amount owed by customer for contractual work	-	856
Gross amount owed to customer for contractual work	-	-

5 – Trade receivables

The table below shows the breakdown of trade receivables and the respective doubtful debt provision at 30 June 2020 and 31 December 2019:

(€'000)	at June 30, 2020	at December 31, 2019
Trade receivables - customers	12,915	12,129
Trade receivables - realted paties	-	-
Doubtful debt provision	(464)	(422)
TOTAL TRADE RECEIVABLES	12,451	11,707

Note that, at the reporting date, the Group did not present significant concentrations of credit risk, as the Group has a number of customers located throughout the various geographic areas of business. The risk profile of customers is essentially similar to that identified and assessed in the past year. These receivables are expected to be collected within the next year. Trade receivables are non-interest bearing and generally fall due at 90/120 days.

Trade receivables, net of the respective doubtful debt provision, increased by €0.74 million compared to 31 December 2019. The increase is mainly due to the trend in natural due dates of residual trade receivables at the end of June 2020.
No bank receipts subject to collection were presented but not yet due at the end of the period.

Receivables are shown net of a doubtful debt provision of €0.46 million.

(€'000)	at June 30, 2020	at December 31, 2019
OPENING BALANCE	422	305
Provisioning	44	140
Utilisation	(2)	(23)
CLOSING BALANCE	464	422

The net increase for the period was €42 thousand, as a result of the combined effect of allocations for the period of €44 thousand to individually adjust the value of receivables based on their expected losses to their estimated realisable value and use of the provision for €2 thousand, as the conditions for its use were met.

6 – 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 on dividends distributed to the Parent Company. Compared to 31 December 2019, the value increased from €269 thousand to €544 thousand.

Income tax payables are made up of current taxes relating to the period still to liquidate and represent the amounts that the companies must pay to the tax authorities of the respective countries. These payables are calculated according to the tax rates currently in force in each country. Payables for foreign taxes amounted to €511 thousand (2019: €1,522 thousand), while Italian tax payables amounted to €328 thousand (2019: €49 thousand).

7 – Other current assets

The table below shows the breakdown of other current assets at 30 June 2020 and 31 December 2019:

(€'000)	at June 30, 2020	at December 31, 2019
Amounts receivable for grants	153	1
Advance payments to suppliers	219	227
Tax receivables	641	910
Other receivables	97	29
Accrued income and prepaid expenses	1,203	948
TOTAL OTHER CURRENT ASSETS	2,313	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.

8 – Other current financial assets

The "other current financial assets" item booked under current assets amounted to €110 thousand, an increase of €2 thousand.
This amount comprises €90 thousand for a three-year insurance policy, €3 thousand relative to 100 shares of Banca Popolare Friuladria, and €17 thousand of interest accrued on the loan granted to Kairos Autonomi Inc., which will be repaid by the end of next year.
The portfolio continues to hold 2,500 shares of Veneto Banca Holding S.c.a.r.l. that were purchased in 2012 and completely written down in 2016, in order to adjust the value to the market value, which is currently €0.1.
These assets were classified as financial assets recorded in the income statement at fair value.

9 – Cash and cash equivalents

The table below shows the breakdown of cash and cash equivalents at 30 June 2020 and 31 December 2019:

(€'000)	at June 30, 2020	at December 31, 2019
Bank and post office deposits	30,027	30,669
Cash and valuables in hand	20	18
TOTAL CASH & CASH EQUIVALENTS	30,047	30,687

Bank deposits are mostly on demand and are remunerated at a variable rate of interest. The fair value of cash and cash equivalents is €30.05 million (€30.69 million at 31 December 2019).
Cash and cash equivalents fell by €0.64 million compared to 31 December 2019 due to the cash generated from operations during the first half, the opening of new loans (€5.5 million) and net of instalment payments due on loans in the first half-year (€4.2 million), as well as investments in property, plant and equipment (€1.1 million) and intangible assets (€2.0 million) made in the period.

10 – Net financial position

The Group's net financial position is as follows:

(€'000)		at June 30, 2020	at December 31, 2019	at June 30, 2019
Cash & cash equivalents	A	(30,047)	(30,687)	(20,414)
Cash equivalent	**B=A**	**(30,047)**	**(30,687)**	**(20,414)**
Other current financial assets	C	(110)	(108)	(107)
Derivative instruments	D	65	44	71
Short-term borrowing	E	7,490	7,001	10,535
Short-term financial position	**F=C+D+E**	**7,445**	**6,937**	**10,499**
Short-term net financial position	**G=B+F**	**(22,602)**	**(23,750)**	**(9,915)**
Medium/long term borrowing	H	12,632	11,590	8,671
Medium-/long-term net financial position	**I=H**	**12,632**	**11,590**	**8,671**
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	(9,970)	(12,160)	(1,244)
Medium/long term borrowing allowed to affiliates companies and other Group	K	(89)	(89)	(88)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	(10,059)	(12,249)	(1,332)

The consolidated net financial position at 30 June 2020, excluding right-of-use financial payables as introduced by IFRS 16, amounted to net cash of €13.13 million, compared a net financial position with net cash of €16.25 million at 31 December 2019. Application of the IFRS 16 accounting standard entailed the recognition by Group companies of financial liabilities for rights of use at 30 June 2020 equal to €3.07 million that, added to the net financial position, resulted in a post-IFRS 16 net cash position of €10.06 million.

11 – Equity

The table below shows the composition of equity at 30 June 2020 and 31 December 2019:

(€'000)	at June 30, 2020	at December 31, 2019
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(19,896)	(20,623)
Group shareholders' equity	125,383	124,656
Equity attributable to minority interest	-	-
Total shareholders' equity	125,383	124,656

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

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

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

The positive translation reserve of €14.41 million is generated by inclusion in the condensed consolidated half-year financial statements of the statements of financial position and income statements of US subsidiaries Eurotech Inc. and E-Tech USA Inc., as well as the UK subsidiary Eurotech Ltd. and the Japanese subsidiary Advanet Inc.

The item "other reserves" was negative for €39.64 million and consisted of the Parent Company's extraordinary reserve, formed by losses carried forward, allocations of retained earnings from prior years, and other miscellaneous reserves. The change in the year is attributable to the allocation of 2019 results and the recognition of the Performance Share Plan as described in Note 30.

The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IFRS 9, was negative for €65 thousand and decreased by €21 thousand gross of the tax effect, and was therefore not recorded as the prerequisite conditions were not met.
The foreign exchange reserve, which – based on IAS 21 – recognises foreign exchange differences relating to intragroup foreign currency loans that constitute part of a net investment in foreign operations, was positive for €4.40 million, a decrease of €0.25 million gross of the related tax effect, not yet recognised.

The Parent Company Eurotech S.p.A. held 349,520 treasury shares at the end of the reporting period. The only change during the first half-year relates to the allocation of shares for the Performance Share Plan.

12 – Basic and diluted earnings (losses) per share

Base earnings (losses) per share (EPS) are calculated by dividing the income of the period pertaining to ordinary shareholders of the Parent Company by the average weighted number of ordinary shares in circulation during the period, net of treasury shares.

No equity transactions were reported in the periods presented for comparison that diluted earnings per share.

The tables below shows earnings and information on the shares used to calculate the basic and diluted EPS.

	at June 30, 2020	at December 31, 2019
Net income (loss) attributable to parent company shareholders	577,000	19,242,000
Interests on convertible bond	-	-
Net income (loss) diluted attributable to parent company shareholders	577,000	19,242,000
Weighted average number of ordinary shares including own shares	35,515,784	35,515,784
Own shares	(381,377)	(784,382)
Weighted average number of ordinary shares except own shares	35,134,407	34,731,402
Weighted average number of ordinary shares except own shares for share diluted	35,134,407	34,731,402
Net income (loss):		
- per share	0.016	0.554
- per share diluted	0.016	0.554

13 – Financial liabilities

The table below shows the breakdown of short- and medium/long-term financial liabilities at 30 June 2020:

TYPE (€'000)	COMPANY	BALANCE ON 31.12.2019	BALANCE ON 30.06.2020	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months	Long term Over 5 years
CURRENT OUTSTANDINGS - (a)		**98**	**342**	**342**	**-**	**-**	**-**
Public entity	Eurotech S.p.A.	77	-	-	-	-	-
Non-banking financial companies	Eurotech S.p.A.	34	20	5	15	15	-
Lease liabilities		4,034	3,099	1,343	1,756	1,663	93
TOTAL OTHER FINANCINGS		**4,145**	**3,119**	**1,348**	**1,771**	**1,678**	**93**
Unsecured loans	Eurotech S.p.A.	13,818	14,135	5,263	8,872	8,872	-
Unsecured loans	Advanet Inc.	530	2,526	537	1,989	1,989	-
TOTAL BANK DEBT - (c)		**14,348**	**16,661**	**5,800**	**10,861**	**10,861**	**-**
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		**18,493**	**19,780**	**7,148**	**12,632**	**12,539**	**93**
TOTAL DEBT - [(a) + (b) + (c)]		**18,591**	**20,122**	**7,490**	**12,632**	**12,539**	**93**

During the first half of 2020, two new bank loans were signed, one medium/long-term loan for €3 million by the Parent Company and the other again a medium/long-term loan for €2.5 million by the subsidiary Advanet. In addition, medium/long-term loan instalments reaching maturity were repaid for €3.17 million.

The “other loans” item includes, in addition to the residual debt that until 31 December 2019 was considered finance lease contracts (€28 thousand), the residual amount due for the various rental contracts that, in application of the new IFRS 16 standard, are managed as financial liabilities (€3.071 million).

All “covenants” present on certain loans granted to the Parent Company (which are verified annually) were fully respected at 31 December 2019.
All existing bank loans are denominated in euro, with the exception of loans granted to the Japanese subsidiary, which are in Japanese yen, while the other loans are expressed in the four currencies, which are the reference currencies of the various Group companies (Euro, USD, Yen and GBP).

14 – Employee benefits

The table below shows the breakdown of employee benefits at 30 June 2020 and 31 December 2019:

(€'000)	at June 30, 2020	at December 31, 2019
Employees' leaving indemnity	343	343
Foreing Employees' leaving indemnity	2,310	2,164
Employees' retirement fund	99	97
TOTAL EMPLOYEES' BENEFITS	2,752	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.
IAS 19R was applied retroactively starting from 1 January 2012. 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. Until 2012, non-vested past servicing costs were recognised on a straight-line basis over the plan's average vesting period. 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 changes in the Italian and foreign "pension fund" items are as follows:

	Defined benefit plans			
	Italy		Japan	
(€ '000)	at June 30, 2020	at December 31, 2019	at June 30, 2020	at December 31, 2019
Liabilities at start of period	343	277	2,164	2,092
Cost relating to present service	5	12	124	223
Past Service cost	0	0	0	(301)
Finance expense	1	4	0	9
Other changes	0	0	22	67
Benefits paid out	(6)	0	0	(16)
Actuarial loss (gain) reconised	0	50	0	90
Liabilities at end of period	**343**	**343**	**2,310**	**2,164**

15 – Provisions for risks and charges

The table below shows the breakdown and changes in provisions for risks and charges at 30 June 2020 and 31 December 2019:

(€'000)	at December 31, 2019	Provision	Utilization	Other	at June 30, 2020
Selling agents' commission fund	66	3		-	69
Director termination fund	140	20	(104)	-	56
Guarantee reserve	437	-	-	(38)	399
Busting depreciable asset	417	-	-	(2)	415
TOTAL FUNDS FOR COSTS AND FUTURE RISKS	**1,060**	**23**	**(104)**	**(40)**	**939**

The "supplementary customer indemnity" provision is allocated based on the amounts envisaged by legislation and collective economic agreements regarding situations of interruption in the mandate given to agents. The effect of discounting the share of liabilities that will be liquidated beyond the next year is not expected to be significant.

The "cumulative provision for directors' termination indemnity" refers to the indemnity recognised for directors with powers set out in by the bylaws of the Company or its subsidiaries. This indemnity is generally paid at the end of the mandate of the Board in office and is allocated periodically for the relevant portion.

The product warranty provision is allocated based on the expectations of the charges to be incurred for non-fulfilment of the contractual warranty on products sold at year-end.

The asset disposal reserve was allocated in response to an obligation for future costs that a number of Japanese 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 agreement.

16 – Trade payables

The table below shows the breakdown of trade payables at 30 June 2020 and 31 December 2019:

(€'000)	at June 30, 2020	at December 31, 2019
Third parties	10,680	11,562
Related companies	-	-
TOTAL TRADE PAYABLES	10,680	11,562

Trade payables at 30 June 2020 came to €10.68 million, decreasing by €0.88 million compared with 31 December 2019.
Trade payables are non-interest bearing and, on average, are settled 90-120 days after invoice date.

17 – Other current liabilities

The table below shows the composition of other current liabilities at 30 June 2020 and 31 December 2019:

(€'000)	at June 30, 2020	at December 31, 2019
Social contributions	587	591
Other	5,061	4,270
Advances from customers	325	159
Grants advances	627	562
Other tax liabilities	327	1,224
Accrued expanses	688	907
TOTAL OTHER CURRENT LIABILITIES	7,615	7,713

Other payables

The item "other payables" contains the amounts due to employees for compensation, holidays and leaves of absence accrued and not yet used at the reporting dates, as well as amounts due to directors and other miscellaneous payables.

F - Breakdown of the main income statement items

18 – Costs of raw & auxiliary materials and consumables used

(€'000)	1H 2020	1H 2019
Purchases of raw materials, semi-finished and finished products	18,083	28,613
Changes in inventories of raw materials	(204)	(913)
Change in inventories of semi-finished and finished products	(669)	(1,002)
TOTAL COST OF MATERIALS	17,210	26,698

Costs of raw & auxiliary materials and consumables used show a 35.5% decrease in the period under review, down from €26.70 million in the first half of 2019 to €17.21 million in the first half of 2020. The decrease is related to the lower turnover achieved in the first half of 2020 compared to the previous period and is also influenced by the different product mix.

19 – Other operating costs net of cost adjustments

(€'000)	1H 2020	1H 2019
Service costs	6,239	6,427
Rent and leases	215	161
Payroll	10,684	10,075
Accruals and other costs	376	422
Cost adjustments for in-house generation of non-current assets	(1,459)	(1,516)
Operating costs net of cost adjustments	16,055	15,569

The "other operating costs" item shown in the table above, net of cost adjustments for internal increases, grew from €15.57 million in the first half of 2019 to €16.05 million in the first half of 2020.

The "other provisions and other costs" item includes an allocation to the doubtful debt provision for €44 thousand.

20 – Service costs

(€'000)	1H 2020	1H 2019
Industrial services	2,441	2,410
Commercial services	1,048	1,684
General and administrative costs	2,750	2,333
Total costs of services	6,239	6,427

In the period under review, service costs recorded a 2.9% decrease from €6.43 million to €6.24 million. The incidence on revenues rose from 12.1% in the first half of 2019 to 17.2% in the first half of 2020.

21 – Payroll costs

(€'000)	1H 2020	1H 2019	%
Wages, salaries and Social Security contributions	10,171	9,641	95.7%
Employees' leaving entitlement and other personnel provisions	258	191	1.9%
Other costs	255	243	2.4%
Total personnel expenses	10,684	10,075	100.0%

In the first half of the year, payroll costs increased. This net increase is the result of an increase in the average number of employees in the periods under review. Wages include €234 thousand as the accrued portion of costs relating to the Performance Share Plan as reported in Note 30 (at 30 June 2019 the recognised cost was €381 thousand).

As shown in the table below, the number of Group employees increased at the end of the most recent period, from 318 at the end of 2019 to 326 at the end of the first half of 2020.

EMPLOYEES	Average 2020	at June 30, 2020	Average 2019	at December 31, 2019	at June 30, 2019
Management	4.0	4	4.0	4	4
Clerical workers	297.5	298	286.7	291	286
Line workers	23.2	24	20.9	23	20
TOTAL	324.7	326	311.5	318	310

22 – Cost adjustments for internally generated non-current assets

At 30 June 2020, cost adjustments for internally generated non-current assets amounted to €1,459 thousand (€1,516 thousand at 30 June 2019), entirely related to the capitalisation of internal payroll, material and service costs incurred for certain development projects for new products in the fields of NanoPC modules and systems, and in the field of Internet of Things software platforms. More specifically, if these costs had been deducted from the corresponding income statement item, there would have been a reduction of €38 thousand in materials costs (€129 thousand at 30 June 2019), €688 thousand in payroll costs (€849 thousand at 30 June 2019) and €733 thousand in services costs (€538 thousand at 30 June 2019).

23 – Other income

(€'000)	1H 2020	1H 2019
Government grants	231	10
Sundry revenues	53	93
Total other revenues	284	103

24 – Depreciation, amortisation and impairment

(€'000)	1H 2020	1H 2019
Amortisation of intangile assets	1,059	952
Amortisation of property, plant and equipment	977	968
Write-down of fixed assets	60	10
Total amortisation and depreciation	2,096	1,930

Depreciation, amortisation and impairment increased from €1.93 million in the first half of 2019 to €2.10 million in the first half of 2020. This change is due mainly to the higher amortisation of development costs that began their amortisation process.

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

25 – Financial income and charges

The Group's financial management is summarised as follows:

€'000	1H 2020	1H 2019
Exchange-rate losses	304	217
Interest expenses	166	211
Interest expenses on lease liabilities	23	31
Expenses on derivatives	13	9
Other finance expenses	25	38
Financial charges	**531**	**506**
Exchange-rate gains	693	240
Interest income	5	8
Other finance income	18	6
Financial incomes	**716**	**254**

Financial management performance is influenced by exchange rate management, which in the first six months of 2020 is positive for €389 thousand, compared to a positive net effect in the first six months of 2019 of €23 thousand. The decrease in other interest expense reflects the lower cost of debt.

26 – Income tax for the period

Income taxes at 30 June 2020 show a net negative effect of €719 thousand (resulting from the net effect of current tax charges of €419 thousand and costs relating to deferred taxes of €300 thousand) compared to a positive effect of €141 thousand at 30 June 2019 (deriving from the net effect of current tax charges of €476 thousand, income of €650 thousand for deferred taxes and tax charges for prior years of €33 thousand), posting a negative of €860 thousand.

(€'000)	1H 2020	1H 2019
IRES (Italian corporate income tax)	46	6
IRAP (Italian Regional business tax)	89	141
Foreign current income taxes	284	329
Total current income tax	419	476
Net (prepaid) deferred taxes: Italy	(178)	(1,068)
Net (prepaid) deferred taxes: Non-italian	478	418
Net (prepaid) deferred taxes	300	(650)
Previous years taxes	-	33
Previous years taxes	-	33
TOTAL INCOME TAXES	719	(141)

Deferred tax assets at 30 June 2020 amounted to €7.93 million (31 December 2019: €7.98 million) and were recognised in 2019 on the basis of convincing documentary evidence in support of the taxable income in future years, again from certain Group companies, in addition to the inventory write-down provision, the doubtful debt provision and other costs deductible in future years.
Deferred tax liabilities at 30 June 2020 amounted to €3.31 million (31 December 2019: €3.10 million) and refer mainly to tax effects on the price allocation for trademarks with indefinite useful lives. The increase is mainly due to the recognition of deferred taxes in the period, as well as the exchange rate effect on the values expressed in USD and JPY and the values attributed for the "price allocation".

G – Other information

27 – Related-party transactions

The condensed consolidated half-year financial statements include the financial statements of Eurotech S.p.A. and the half-year financial statements of subsidiaries shown in the table below:

Name	Location	Currency	% of ownership 30.06.2020	% 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 relationships with related parties, not eliminated on consolidation.

RELATED PARTIES	Revenues to related parties	Interest to related parties	Purchases from related parties	Purchases from related parties	Financial receivables to related parties	Receivables from related parties	Payables from related parties
Other related parties							
Bluenergy Assistance srl	2	-	-	-	-	-	-
Kairos Autonomi	-	2	-	-	107	-	-
Total	2	2	-	-	107	-	-
Total with related parties	2	2	-	-	107	-	-
% impact on line item	0.0%	0.3%	0.0%	0.0%	53.8%	0.0%	0.0%

28 – Financial risk management: objectives and criteria

The Group's financial instruments, other than derivative contracts, include bank loans in the various technical forms, leases, as well as short-term and on-demand 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. The Group signed interest rate swap contracts that provided for recognition of a variable rate against payment of a fixed rate. The contract type is 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 30 June 2020, about 48.4% of Group loans were at fixed rates (compared with about 69.3% in the first half of 2019). The loans in place at the Japanese company were signed at fixed rates since it is more advantageous than those at variable rates.

Exchange rate risk
In view of the significant investment transactions in the US, Japan and the UK, with substantial foreign currency cash flows from operations and financial management, the Group's financial statements could be significantly affected by changes in the USD/EUR, JP¥/EUR and GBP/EUR exchange rates. During the reporting period, no foreign exchange hedges were executed because of the fluctuating USD, GBP and JP¥ flows, particularly taking into account that the individual subsidiaries tend to operate in their respective functional currencies in their respective core markets.
About 77.3% of sales of goods and services (30 June 2019: 76.5%) and 68.0% (30 June 2019: 71.3%) of the cost of goods purchased 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 this Consolidated Half-Year Financial Report.

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. Only some receivables from key customers are insured.
Financial assets, recorded by trading date, are recognised in the financial statements net of write-downs calculated according to the risk of counterparty default, taking into account the information available on the customer's level of solvency and historical data.
There is no significant concentration of credit risk in the Group, even though there have been occasions over the last 3 years in which an individual customer generated more than 10% of total revenues. In particular, in 2019, three customers each generated turnover that was more than 10% of the Group's turnover, totalling 43.7% of Group revenues. In the first half of 2020, there was only one customer with turnover of more than 10%, and had a total impact of around 24% on consolidated half-year 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.

Liquidity risk

The objective of the Group is to strike a balance between maintenance of funds and flexibility through the use of overdrafts, loans, leases, factoring assignments with recourse, as well as through equity financing in the market.
Group policy states that no more than 40% of loans must fall due within 12 months.
At 30 June 2020, 36.1% of Group financial payables will accrue within one year (first half of 2019: 50.7%), based on the balances in 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.

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 other financial assets was calculated 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 30 June 2020 and the respective comparison figures.

At 30 June 2020, the Group held the following financial instruments measured at fair value:

(€'000)	Notional value at June 30, 2020	Fair value at June 30, 2020 (debit)	Fair value at June 30, 2020 (credit)	Notional value at December 31, 2019	Fair value at December 31, 2019 (debit)	Fair value at December 31, 2019 (credit)
Cash flow hedge						
Contracts Interest Rate Swap (IRS)	8,036	0	(65)	6,216	0	(44)

All the assets and liabilities measured at fair value at 30 June 2020 are classified in Level 2 of the fair value hierarchy. In addition, during the first half of 2020 there were no transfers from Level 1 to Level 2 or Level 3, or vice versa.

29 – Derivatives

Fair value

From the comparison between the book value and the fair value by category of all of the Group's financial instruments recognised in the financial statements, there were no significant differences, other than those highlighted, that require disclosure.
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 other financial assets was calculated using market interest rates.

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 30 June 2020, the Group held 4 IRS contracts (for a total residual notional value of €8.04 million), one of which was signed during the first half of the year and designated as instruments to hedge interest rate risk.

	Due date	Fixed rate	Floating rate	Market value *(€'000)*
Interest rate swap contracts				
Euro 1.428.861,91	29 December 2023	0.25%	Euribor 3 months	(20)
Euro 169.578,90	26 January 2021	0.01%	Euribor 3 months	0
Euro 3.000.000,00	30 May 2022	0.10%	Euribor 3 months	(21)
Euro 3.437.500,00	31 March 2023	0.01%	Euribor 3 months	(24)
TOTAL				(65)

Interest rate swap contract conditions were negotiated to coincide with the conditions of the underlying commitments.
The accounting treatment of these financial instruments during the period entailed a decrease in equity of €21 thousand and decreased the cash flow hedge reserve as a direct reduction of equity to a total negative value of €65 thousand.

30 – 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").
PPS 2016 provides that the beneficiaries identified by the company's Board of Directors be assigned the right (known as a 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 the subsidiaries. The Units assigned are subject to a retention period lasting 2 years starting from the respective Assignment Date; during the Retention Period, the assigned Units cannot accrue unless the contract is terminated as a "Good Leaver" (for example: dismissed by the company not for just cause, death, the Beneficiary's retirement and loss of the condition of subsidiary by the employer company of the Beneficiary).
The Board of Directors distributed 90,500 units to beneficiaries during 2020, either directly or through its delegated representative.

	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 begining of the period	364,600	1,153	267	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	(90,500)	(144)	-	(447,000)	(617)	-
Nr. Unit Outstanding at the end of the period	259,600	954	234	364,600	1,153	762

No units have been assigned in 2020. At 30 June 2020, the company recorded a cost of €234 thousand in the income statement, with a balancing entry recognised in equity. Since the beginning of the plan (2016), the total amount recognised in the income statement is €1,997 thousand.

31 – Events after the reporting period

No significant events took place after the closing of the Consolidated Financial Report at 30 June 2020 and up to the date of its approval.

32 - Seasonality of business activities

There are no significant seasonal trends in the sector in which the Group operates. Having stated as such, historically the Group recorded a greater concentration of revenues in the second half of the year. These higher sales were mainly due to the scheduling of purchases by customers. For the current year, given the unstable situation deriving from the COVID-19 pandemic, turnover is expected to be concentrated more in the second half of the year, though the uncertainty remains strong.

Certification of the Condensed Consolidated Half-Year Financial Statements

Pursuant to Art. 154-bis, Paragraph 5 – Part IV, Title III, Chapter II, Section V-bis of Italian Legislative Decree no. 58 of 24 February 1998: "Consolidated Law on Finance, pursuant to Arts. 8 and 21 of Italian Law no. 52 of 6 February 1996".

1) We the undersigned, Roberto Siagri, Chief Executive Officer, and Sandro Barazza, Financial Reporting Manager, for Eurotech S.p.A., pursuant to Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree 58 of 24 February 1998 and subsequent amendments, hereby attest to:
   - the adequacy in relation to the characteristics of the company and
   - the effective application

   of the administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements for the period from 1 January 2020 to 30 June 2020.

2) Valuation of the adequacy of the administrative and accounting procedures for the formation of the consolidated financial statements at 30 June 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 at international level. In this regard, no significant aspects emerged.

3) Moreover, we hereby attest that the condensed consolidated half-year financial statements:
   a) correspond to the results in the corporate books and accounting records;
   b) were prepared in compliance with the international accounting standards (IFRSs) recognised in the European Union pursuant to Regulation (CE) 1606/2002 of the European Parliament and Council, dated 19 July 2002;
   c) provide a fair and true representation of the assets, liabilities, financial position and profit or loss of companies included in the consolidation.

4) The Interim Report on Operations contains references to the significant events that occurred in the first six months of the year and their impact on the condensed consolidated half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year, as well as information on relevant transactions with related parties.

Amaro (Udine) - Italy, 4 September 2020

Eurotech S.p.A.

signed Roberto Siagri	signed Sandro Barazza
Chief Executive Officer	*Financial Reporting Manager*

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REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Eurotech SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Eurotech SpA and its subsidiaries (the Eurotech Group) as of 30 June 2020 comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related explanatory notes. The directors of Eurotech SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution n°10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the Eurotech Group as of 30 June 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Udine, 4 September 2020

PricewaterhouseCoopers SpA

Signed by

Maria Cristina Landro
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

PricewaterhouseCoopers SpA

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