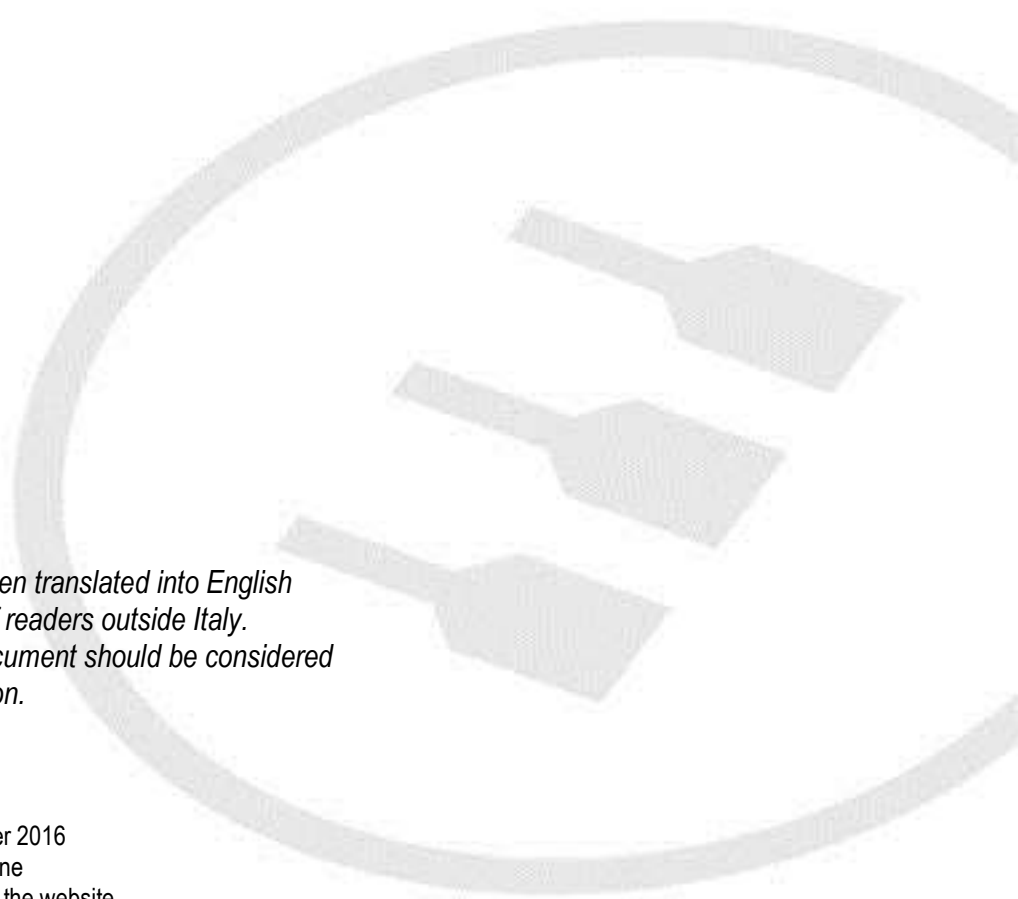


Imagine. **Build.** Succeed.

Consolidated Interim Management Report
at 30 September 2016



*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: 11 November 2016
This report is available online
in the 'Investors' section of the website
www.eurotech.com

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

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Corporate Bodies

| Board of Directors | |
|--------------------|--|
| Chairman | Roberto Siagri ⁷ |
| Director | Giulio Antonello ^{1 2 3 7} |
| Director | Sandro Barazza ^{1 4} |
| Director | Riccardo Costacurta ^{1 2 3 5 6} |
| Director | Alberto Felice De Toni ^{1 2} |
| Director | Chiara Mio ^{1 2 3 5 6 7 8} |
| Director | Dino Paladin ¹ |
| Director | Giuseppe Panizzardi ^{1 6} |
| Director | Marina Pizzol ^{1 5} |

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 24 April 2014 and integrated by the Annual General Meeting of 24 April 2015, and will remain in office until approval of the 2016 financial statements.

| Board of Statutory Auditors | |
|-----------------------------|--------------------|
| Chairman | Claudio Siciliotti |
| Statutory auditor | Michela Cignolini |
| Statutory auditor | Giuseppe Pingaro |
| Substitute auditor | Laura Briganti |
| Substitute auditor | Gianfranco Favaro |

The Board of Statutory Auditors currently in office was appointed by shareholders at the Annual General Meeting of 24 April 2014, and will remain in office until the approval of the 2016 financial statements.

| Independent auditor | |
|-------------------------------|--|
| PricewaterhouseCoopers S.p.A. | |

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

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

¹ Non-executive Directors.

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

³ Member of the Committee for Related Party Transactions.

⁴ Corporate Financial Reporting Manager as from 29 May 2008.

⁵ Member of the Control and Risks Committee.

⁶ Member of the Remuneration Committee.

⁷ Member of the Appointments Committee.

⁸ Lead Independent Director.

Performance highlights

Income statement highlights

| 3rd Q 2016 | % | 3rd Q 2015 | % | % change | (€'000) | 9M 2016 | % | 9M 2015 | % | % change |
|--------------------------|--------|------------|--------|----------|--|---------|--------|---------|--------|----------|
| OPERATING RESULTS | | | | | | | | | | |
| 14,143 | 100.0% | 17,085 | 100.0% | -17.2% | SALES REVENUES | 42,582 | 100.0% | 47,260 | 100.0% | -9.9% |
| 6,847 | 48.4% | 7,414 | 43.4% | -7.6% | GROSS PROFIT MARGIN (*) | 21,077 | 49.5% | 22,553 | 47.7% | -6.5% |
| 112 | 0.8% | (786) | -4.6% | 114.2% | EBITDA (**) | (361) | -0.8% | (3,338) | -7.1% | 89.2% |
| (1,221) | -8.6% | (2,258) | -13.2% | 45.9% | EBIT (***) | (4,226) | -9.9% | (7,501) | -15.9% | 43.7% |
| (1,166) | -8.2% | (2,244) | -13.1% | 48.0% | PROFIT (LOSS) BEFORE TAXES | (4,234) | -9.9% | (7,106) | -15.0% | 40.4% |
| (1,207) | -8.5% | (2,300) | -13.5% | 47.5% | GROUP NET PROFIT (LOSS) FOR THE PERIOD | (4,016) | -9.4% | (6,802) | -14.4% | 41.0% |

Income statement net of the accounting effects of purchase price allocation

| 3rd Q 2016 adjusted | % | 3rd Q 2015 & adjusted | % | % change | (€'000) | 9M 2016 adjusted | % | 9M 2015 adjusted | % | % change |
|--------------------------|--------|--------------------------|--------|----------|--|---------------------|--------|---------------------|--------|----------|
| OPERATING RESULTS | | | | | | | | | | |
| 14,143 | 100.0% | 17,085 | 100.0% | -17.2% | SALES REVENUES | 42,582 | 100.0% | 47,260 | 100.0% | -9.9% |
| 6,847 | 48.4% | 7,414 | 43.4% | -7.6% | GROSS PROFIT MARGIN (*) | 21,077 | 49.5% | 22,553 | 47.7% | -6.5% |
| 112 | 0.8% | (786) | -4.6% | 114.2% | EBITDA (**) | (361) | -0.8% | (3,338) | -7.1% | 89.2% |
| (574) | -4.1% | (1,630) | -9.5% | 64.8% | EBIT (***) | (2,388) | -5.6% | (5,604) | -11.9% | 57.4% |
| (519) | -3.7% | (1,616) | -9.5% | 67.9% | PROFIT (LOSS) BEFORE TAXES | (2,396) | -5.6% | (5,209) | -11.0% | 54.0% |
| (970) | -6.9% | (1,921) | -11.2% | 49.5% | GROUP NET PROFIT (LOSS) FOR THE PERIOD | (3,060) | -7.2% | (5,655) | -12.0% | 45.9% |

For a breakdown of effects arising from purchase price allocation, see the notes on page 12.

(*) Gross profit = difference between revenues from sale of products and services and consumption of raw materials.

(**) EBITDA, an intermediate figure, is earnings before amortisation, depreciation and impairment of non-current assets, financial income and expenses, the valuations of affiliates at equity and of income taxes for the period. This is a measure used by the Group to monitor and assess its operating performance. Since the composition of EBITDA is not regulated by the reference accounting standards, the determination criteria applied by the Group may not be the same as that used by others and may therefore not be comparable.

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

Balance sheet and financial highlights

| €'000 | at September 30, 2016 | at December 31, 2015 | at September 30, 2015 |
|------------------------|--------------------------|-------------------------|--------------------------|
| NET NON-CURRENT ASSETS | 100,647 | 95,435 | 94,808 |
| NET WORKING CAPITAL | 17,476 | 16,991 | 17,033 |
| NET INVESTED CAPITAL* | 110,430 | 104,787 | 104,002 |
| ASSETS HELD FOR SALES | 769 | 769 | 0 |
| SHAREHOLDERS' EQUITY | 108,652 | 105,337 | 102,315 |
| NET FINANCIAL POSITION | 2,547 | 219 | 1,687 |

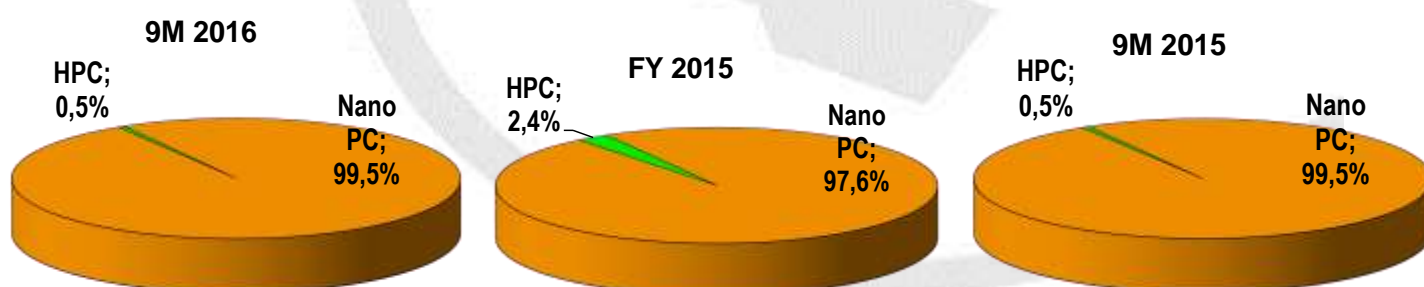
(*) Non-current non-financial assets, plus working capital, less non-current non-financial liabilities.

Employee headcount

| | at September 30, 2016 | at December 31, 2015 | at September 30, 2015 |
|-----------|--------------------------|-------------------------|--------------------------|
| EMPLOYEES | 326 | 341 | 365 |

Revenues by business line

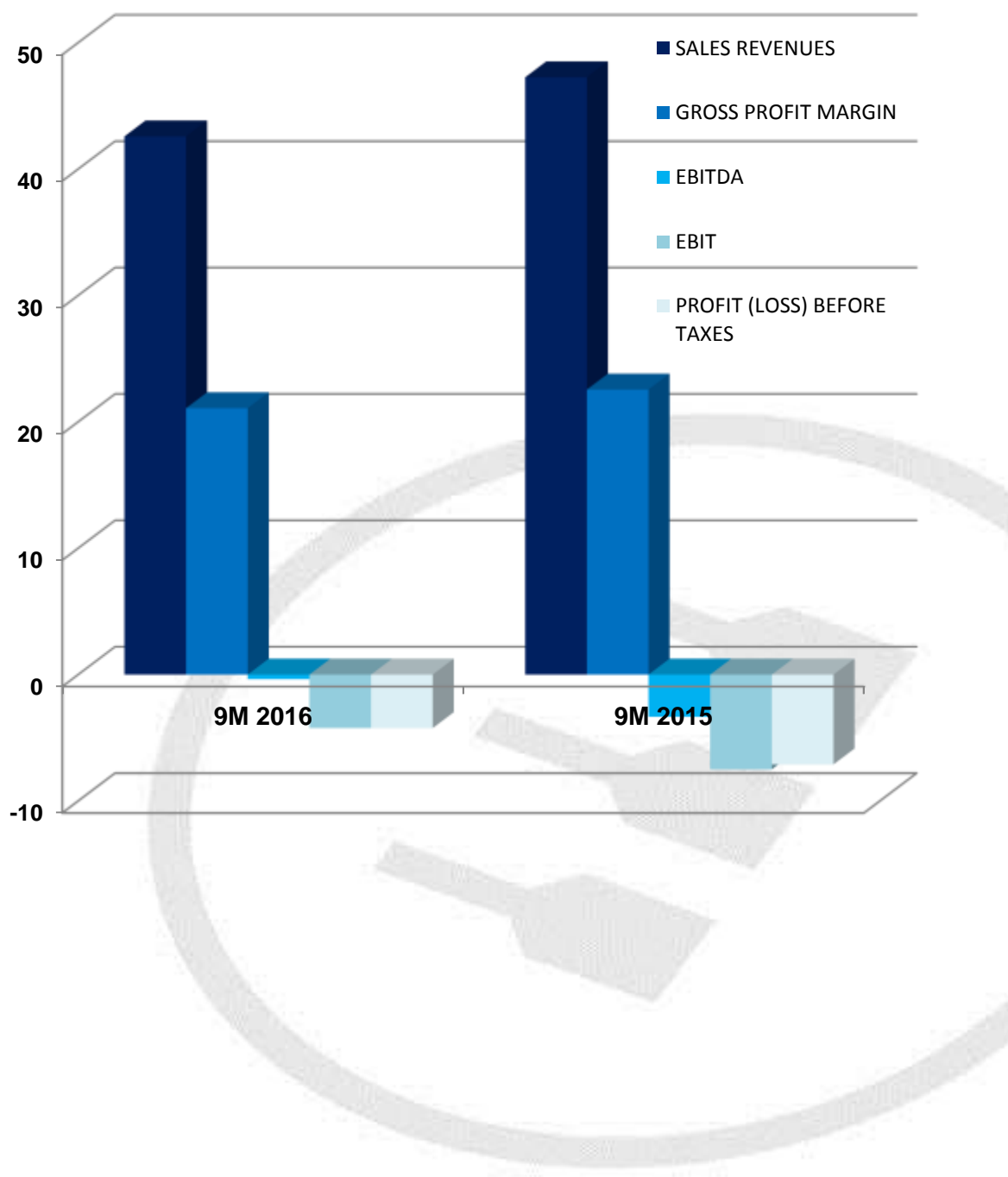
| (€'000) | NanoPC | | | | High Performance Computer | | | | Total | | | |
|----------------|---------|---------|-----------------|---------|---------------------------|---------|-----------------|---------|---------|---------|-----------------|---------|
| | 9M 2016 | 9M 2015 | % YoY Change | FY 2015 | 9M 2016 | 9M 2015 | % YoY Change | FY 2015 | 9M 2016 | 9M 2015 | % YoY Change | FY 2015 |
| Sales revenues | 42,371 | 47,020 | -9.9% | 63,979 | 211 | 240 | -12.1% | 1,572 | 42,582 | 47,260 | -9.9% | 65,551 |



The business lines covered by the Group are 'NanoPCs' and 'HPCs' (High Performance Computers). The NanoPC line comprises miniaturised electronic modules and systems for the transport, logistics, defence, security, medical and industrial sectors; machine-to-machine (M2M) software platforms for Internet of Things

(IoT) applications. The HPC line consists of highly energy-efficient supercomputers, currently targeting universities, research institutes and computing centres. Volumes in the HPC business line are affected by the cyclical nature of the purchasing model of our clients operating in this sector.

Performance



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 Milan stock market since 30 November 2005.

Share capital of Eurotech S.p.A. at 30 September 2016

| | |
|--|---------------|
| 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 | 1,319,020 |
| Stock market capitalisation (based on the share's average price in September 2016) | €41 million |
| Stock market capitalisation (based on the share's reference price at 30 June 2016) | €42 million |

Performance of Eurotech S.p.A. shares

Relative performance of EUROTECH S.p.A. shares
01.01.2015 – 30.09.2015

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



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



The Eurotech Group

Eurotech is a global company with a strong international focus, which generates sales on three continents. It's 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: The miniaturisation of 'intelligent' 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 with each other in a network and communicating.

In this perspective, Eurotech creates miniaturised computers for special uses and SW platforms for M2M integration (NanoPCs) and supercomputers with high computing capacity and high energy efficiency (HPCs). NanoPCs and HPCs are the two major classes of devices that, by connecting to and cooperating with each other, form the pervasive computing structure previously known as the 'pervasive computing grid', which today we call the 'Internet of Things'.

In the NanoPC segment, the Group's HW offering varies according to the positions of the various products in the value stack. The NanoPC is typically a miniature computer that can take the form of:

- an embedded electronic system (i.e. inserted within a device or a system), often used as a component of OEM products;
- an embedded subsystem used as an element of integrated systems;
- a ready-to-use device employed in a great variety of application settings, often as support for the provision of value-added services.

All these Eurotech products of the NanoPC line have wireline or wireless communication channels to ensure their interconnection. It is this combination of computing and communication capabilities that makes Eurotech's products key elements of the pervasive scenario that the company wants to create.

The Group's NanoPC offering is used in several application fields, both conventional and emerging. Eurotech is most active in the transport, industrial, medical, defence, security and logistics sectors. The feature common to many of our customers in all these sectors is they are seeking not only a supplier but also a centre of technological competence – and they often see in Eurotech a partner for innovating their products and their way of doing business. They choose Eurotech because they want to minimise the total cost of ownership of their projects or systems. They want to reduce their time-to-market and focus on their core businesses. They often need solutions for harsh operating conditions and for mission-critical applications, or supplies assured for long periods.

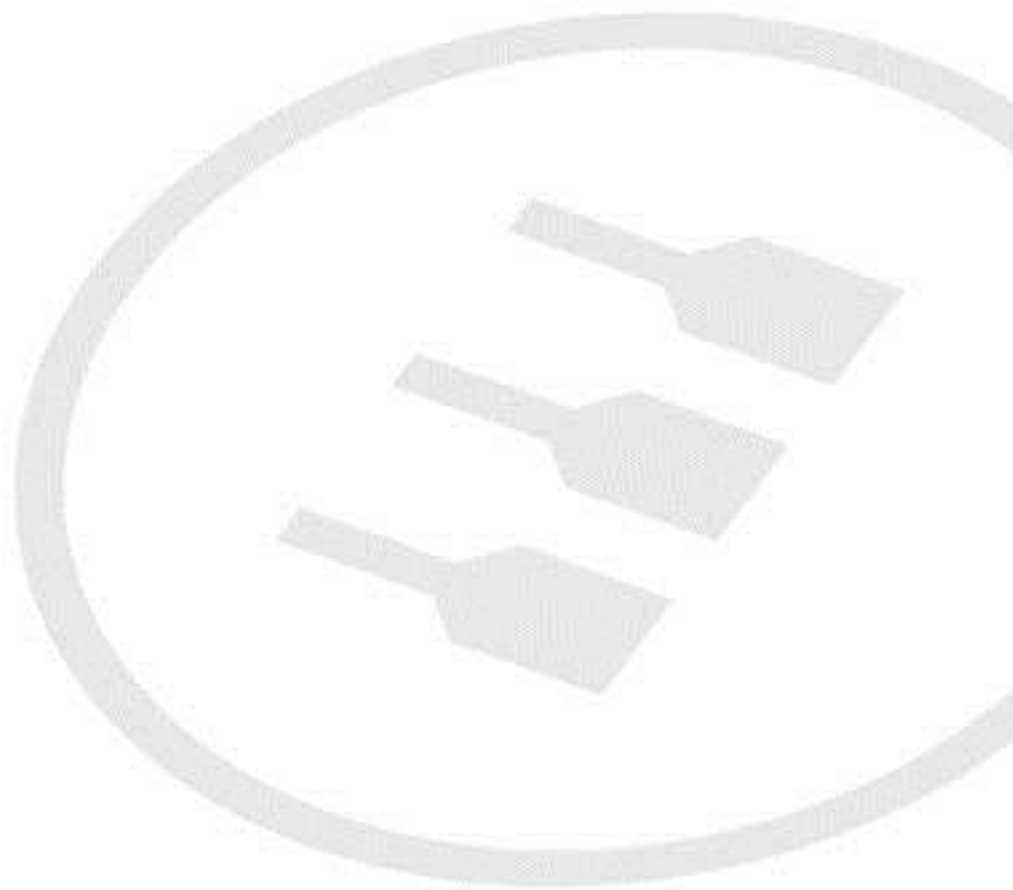
In the HPC segment, Eurotech designs and creates green supercomputers with huge computing capacity, occupying little space and highly energy efficient, created via mass and parallel connection of high-performance miniaturised computers. These supercomputers – in the past aimed at cutting-edge research institutes, computing centres, and universities – are turning out to be indispensable in advanced sectors such as nanotechnology, biotechnology and cyber security. We also expect them to have a significant impact on the medical and industrial fields.

While we continue to improve our consolidated NanoPC and HPC offering, we are increasingly tackling the challenge of creating end-to-end solutions to seamlessly interconnect distributed smart objects and transport valuable data from these objects to business applications, leveraging on the Cloud IT infrastructure.

Any object that is equipped with a small interconnected computer can generate a flow of data and has the potential to become a web-monitored asset, whether it be a vending machine, a bundle of bank notes, an agricultural vehicle or a level crossing. But to create the 'Internet of Things', the interface between the real and

the digital worlds, between sensors and the web, and between smart devices and applications in the Cloud, have to be managed.

At Eurotech, we know how to process significant data from assets in the real world, transport them in the Cloud and make them usable in business processes and applications. Today, our systems and devices can be easily integrated within a Cloud infrastructure, whether public or private, via our Everywhere Cloud software platform, which rapidly connects smart objects to build M2M (machine-to-machine) distributed systems for IoT (Internet of Things) solutions. Thanks to our platform, our partners and customers can create flexible solutions that support value-added service provision and asset monitoring systems in a whole range of operating contexts.



Summary of performance in the third quarter of 2016 and business outlook

Introduction

The consolidated interim management statement of the Eurotech Group at 30 September 2016, which has not been independently audited, and the statements for comparative periods were drawn up according to the IASs/IFRSs issued by the International Accounting Board and endorsed by the European Union.

The Group's results at 30 September 2016 and comparable periods were prepared according to the IASs/IFRSs in force on the date of preparation and the statements drawn up according to Annex 3D of the Italian Issuers' Regulation no. 11971 of 14 May 1999, as amended and supplemented.

Reporting policies

The consolidated financial statements were drafted on the basis of financial statements to 30 September 2016 prepared by the consolidated companies and adjusted, where necessary, to align them with the Group's IFRS-compliant accounting and classification policies.

The accounting policies and consolidation methods used to prepare the consolidated interim management statement are consistent with those used in the Consolidated Annual Financial Report at 31 December 2015, to which we expressly invite readers to refer, except for the adoption of new standards, amendments and interpretations in force at 1 January 2016.

For the first time, the Group adopted certain standards and amendments that required previous financial statements to be amended and/or restated; these include IAS 19 Defined Benefit Plans: Employee Contributions; IFRS 11 Accounting for Acquisitions of Interests in Joint Operation; IAS 1 Disclosure Initiative; IAS 27 Equity Method in Separate Financial Statements; and IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation.

Taxes have been calculated based on the best possible estimates. According to the criterion used for translation into euro of accounts expressed in different currencies, statement of financial position items are translated at the exchange rate in effect on the final day of the accounting period, and income statement items are translated at the average exchange rate for the period. Differences arising from translation of the statement of financial position and income statements are posted to a shareholders' equity reserve.

Unless otherwise specified, the financial statements, tables and explanatory notes are expressed in thousands of euro (€'000).

In accordance with Consob requirements, income statement figures are shown for the quarter under review and are compared with data for the same period in the previous financial year (FY). Restated balance sheet figures, which refer to the closing date of the quarter, are compared with the closing date of the previous FY. The format of the financial statements is the same as that used in the half-yearly report and in the annual financial statements.

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

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

- Gross profit, or the difference between revenues from sales and services and use of materials
- EBITDA, or earnings before amortisation, depreciation and write-downs, financial income and expenses, the valuations of affiliates at equity and income taxes for the period.
- EBIT, or earnings before financial income and expenses, the valuations of affiliates at equity and income taxes for the period.

Assets transferred during the year

As fully explained in the consolidated interim financial report, on 29 February 2016 the subsidiary IPS Sistemi Programmabili signed an agreement to transfer the business unit concerning the Security and Traffic division. The parties set the consideration for the transaction at €2.45 million. This amount was adjusted based on the working capital of the business unit at 29 February. This was a negative adjustment in Eurotech's favour for €108 thousand. The consideration of €2.45 million was collected on the date the transfer agreement was signed, while the adjustment the parties agreed to has been almost totally paid in full.

In application of "IFRS5 - Non-current assets held for sale and discontinued operations", the financial results of the business unit sold remained classified to the balance sheet items for both 2015 and 2016 as the transaction did not concern a major line of business.

As a result, the capital gain deriving from the sale is classified to the item "Other revenues" and amounts to €1,705 thousand.

Operating performance in the period

Performance in 9M16 continued to reflect the situation of the three previous months, when the main investments were made in the strategic areas considered best capable of bringing about future growth for the Group.

The Group is consolidating its positions in the embedded computing segment and maintaining innovation in its traditional business of computing boards and subsystems. At the same time, it is developing M2M/IoT platforms that are achieving an increasing number of recognitions and that allow agreements to be made with qualified international partners.

The financial results of the new business are improving from one period to the next, and will soon make it possible to cover the investments made.

Given the current situation, which is still in the development stage, management is paying close attention to the industrial margins, and particularly to gross profit, which still remains in the forecast area. This therefore underscores the significant work done in procuring components and semi-finished products. Also worthy of note is an overall reduction in operating costs and their continuous control.

Group revenues in the first nine months of 2016 totalled €42.58 million, compared to €47.26 million.

Sales performance reflected what had earlier emerged during the first half, and was caused by a transitory situation that took shape especially in America and partly in Japan. It was marked by a phase of switching from completing several personalised products linked to orders and projects obtained in past years, and the new projects it is working on with both new customers and long-standing customers. The partial misalignment in time between phasing out end-of-life projects and phasing in new projects was partly caused by the changes introduced to the sales structure, which was radically updated in the American area and to a lesser extent in the Japanese area as well toward the end of 2015 and in early 2016. If on the one hand this change has fed enormous impetus to the proposition of the offer of solutions for the emerging market of IoT and contributed to improving margins as a whole, on the other hand it introduced some temporary slowdowns in the operations of traditional business.

With reference to the major geographic areas where the Group operates, the Japanese area is still basically in line with its sales of last year, at constant exchange rates, and is the area that generated the highest turnover in the nine-month period. The American area sustained a decrease compared to the period of comparison, but increased its order book. The European area is continuing to concentrate on single businesses opportunities and seek customers throughout its local EMEA area.

In order to support the Group's competitiveness, management does not generally forego investing in the key activities for the future as the IoT technology platform in industry (Industry 4.0). Looking at the recognitions it has attained by these technological innovations, its important partnerships announced and the number of opportunities it has seized, it is confident that the market will soon reward the efforts put forth.

Before commenting on the income statement figures in more detail, we must point out that some of them reflect the effects of the recognition in the accounts of purchase price allocations^A relating to the business combinations of Advanet Inc.

The following is a summary of interim results with and without the effects of PPA:

- EBIT would have come out at €-2.39 million, rather than €-4.23 million;
- the pre-tax loss would have been €-2.40 million, rather than €-4.23 million;
- the consolidated net loss would have been €-3.06 million rather than €-4.02 million.

Gross profit for the period came in at 49.5%, in line both with the expectations at the start of the year and with what was registered in the half-year. Gross profit in the first nine months of 2015 was 47.7%. The margin is tied to the product mix, the fields of application and the geographic market outlets, so it may sustain changes from one quarter to the next.

In addition to keeping gross profit unchanged, during the period another element to which considerable attention was paid was the reduction of operating costs. In the nine months in question, operating costs, gross of adjustments, were reduced by 7.8% (€2.19 million), from €28.02 million in the first nine months of 2015 to €25.83 million in the first nine months of 2016.

This cut in operating costs was achieved by reducing service costs and also the absolute net number of employees, with only qualified staff hired for positions strictly necessary to implement the strategic vision. Staff abroad, mainly in the production area, was reduced and replaced with an expanded use of specialised outsourcers.

^A In detail, the effects of the recognition in the accounts of purchase price allocation relating to the business combinations of Dynatem Inc. (concerning only 2015) and Advanet Inc. can be summarised as follows:

- depreciation, amortization and impairment: €1,838 thousand (€1,897 thousand at 30 September 2015), equal to the higher amortisation charged to the higher value attributed to customer relationships (intangible assets);
- lower income taxes: €882 thousand (€750 thousand at 30 September 2015) resulting from the tax effect on adjustments made.

Owing to the revenues performance commented on above, although gross operating costs significantly fell, they were 60.7% of revenues in the first nine months of 2016, as compared to 59.3% in the first nine months of 2015.

EBITDA totalled €-0.36 million (-0.8% of revenues) for the first nine months of the year, compared with €-3.34 million for 2015 (-7.1% of revenues). This improved performance is to be ascribed to the combined effect of the lower operating costs commented on above, the performance of the other revenues and the different gross profit between the periods compared.

The difference between one period and the other includes the capital gains of €1.705 million generated by the sale of the security and traffic business unit of the subsidiary IPS Sistemi Programmabili S.r.l., as commented on in the note on page 12.

EBIT came to €-4.23 million in the first nine months of 2016 (-9.9% of revenues), from €-7.50 million in the first nine months of 2015 (-15.9% of revenues). The EBIT figure reflects also the effects of depreciation and amortisation charged to the income statement in 9M16, as well as the trend in EBITDA mentioned previously. Depreciation and amortisation derive from both operating assets becoming subject to depreciation in the period in question and the non-monetary effects arising from price allocation relating to the acquisitions of Dynatem Inc. (for 2015 only) and Advanet Inc. The effect on EBIT of the PPA amounts in 9M16 was €1.84 million, versus €1.90 million in 9M15.

Net finance expense was €60 thousand in the first nine months of 2016, versus positive net finance income of €230 million in 9M15. This performance was affected by the different trend in exchange rates, in terms of average value in the periods under review.

Overall, foreign exchange differences had a positive effect on the period of €0.22 million, compared with a positive effect of €0.63 million in 9M15. Financial management relating to interest had an effect of €0.28 million in 9M16 (€0.41 million in 9M15). For greater detail, readers should refer to the comments made in Note "J".

A pre-tax loss of €4.23 million was registered for the 9M16 (compared with a loss of €7.11 million in the same period a year previously). This performance was influenced by the factors outlined above. The effects of price allocation on the pre-tax result amounted to €1.84 million in 9M16 and €1.90 million in 9M15.

The Group net result amounted to -€4.02 million (€-6.80 million in 9M15). Not only does it reflect the changes in the pre-tax result, but the performance also was caused by the effect of the tax burden on the Group's various units.

Total PPA effects on the Group net result in 9M16 amounted to €0.96 million (9M15: €1.15 million).

As far as their third quarter is concerned, turnover was affected (as commented on above) by the poorer performance of America and the UK than that of the comparative period. The quarter in question closed with total turnover of €14.14 million (€17.08 million in 3Q15), down 17.2% compared to the same quarter the year before; the value of the turnover of the quarter corresponds to 33.2% of the turnover of the nine-month period, while it was 36.1% of the turnover of the same period in 2015.

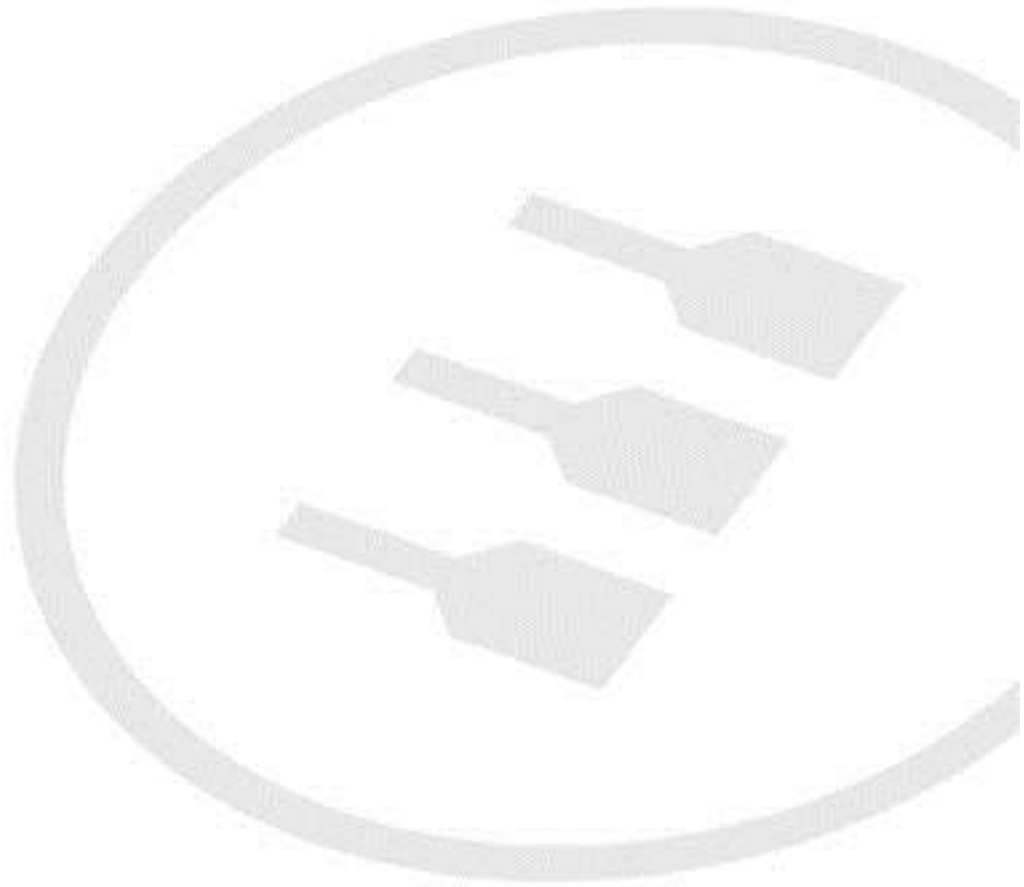
Gross profit in the quarter under review was in line with the figure recorded in the prior quarters and was sharply higher than 2015, where the spot sale of a particular type of hardware product in Japan led to a value significantly lower than usual.

The interim results are influenced by the trend in turnover, in addition to the reduction in operating costs, the item "Other revenues" (especially linked to operating grants) and the depreciation and amortisation charged in the quarter. Third quarter 2016 EBITDA was positive for €112 thousand (0.8% of revenues of the quarter), while it was negative for €786 thousand in the 3Q15 (-4.6% of revenues).

EBIT was also influenced by the margins described in the third quarter of 2016, totalling €-1.22 million (-8.6% as a percentage of revenues), from €-2.26 million (-13.2% of revenues) in the same period of 2015. PPA had a

negative effect on EBIT of €647 thousand in the third quarter of 2016 and €628 thousand in the same period a year previously.

These trends contributed to generate the interim 9M results mentioned above.



Financial statements and explanatory notes

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

Consolidated income statement

| CONSOLIDATED INCOME STATEMENT | | | | | | | | | | | |
|---|------|-----------------|--------------|-----------------|---------------|----------------|--------------|----------------|---------------|----------------|---------------|
| (€ '000) | Note | 3rd Qtr 2016 | % | 3rd Qtr 2015 | % | 9M 2016 (b) | % | 9M 2015 (a) | % | change (b-a) | |
| | | | | | | | | | | amount | % |
| Sales revenue | C | 14,143 | 100.0% | 17,085 | 100.0% | 42,582 | 100.0% | 47,260 | 100.0% | (4,678) | -9.9% |
| Cost of material | D | (7,296) | -51.6% | (9,671) | -56.6% | (21,505) | -50.5% | (24,707) | -52.3% | (3,202) | 13.0% |
| Gross profit | | 6,847 | 48.4% | 7,414 | 43.4% | 21,077 | 49.5% | 22,553 | 47.7% | (1,476) | -6.5% |
| Services costs | E | (2,794) | -19.8% | (3,277) | -19.2% | (8,885) | -20.9% | (10,094) | -21.4% | (1,209) | -12.0% |
| Lease & hire costs | | (445) | -3.1% | (438) | -2.6% | (1,332) | -3.1% | (1,342) | -2.8% | (10) | 0.7% |
| Payroll costs | F | (4,776) | -33.8% | (5,010) | -29.3% | (14,995) | -35.2% | (15,805) | -33.4% | (810) | 5.1% |
| Other provisions and costs | G | (236) | -1.7% | (290) | -1.7% | (615) | -1.4% | (782) | -1.7% | (167) | 21.4% |
| Other revenues | H | 1,516 | 10.7% | 815 | 4.8% | 4,389 | 10.3% | 2,132 | 4.5% | 2,257 | 105.9% |
| EBITDA | | 112 | 0.8% | (786) | -4.6% | (361) | -0.8% | (3,338) | -7.1% | 2,977 | -89.2% |
| Depreciation & Amortization | I | (1,333) | -9.4% | (1,472) | -8.6% | (3,865) | -9.1% | (4,163) | -8.8% | (298) | -7.2% |
| EBIT | | (1,221) | -8.6% | (2,258) | -13.2% | (4,226) | -9.9% | (7,501) | -15.9% | 3,275 | 43.7% |
| Share of associates' profit of equity | | (26) | -0.2% | 0 | 0.0% | 52 | 0.1% | 165 | 0.3% | 113 | 68.5% |
| Finance expense | J | (326) | -2.3% | (263) | -1.5% | (1,028) | -2.4% | (1,312) | -2.8% | (284) | -21.6% |
| Finance income | J | 407 | 2.9% | 277 | 1.6% | 968 | 2.3% | 1,542 | 3.3% | (574) | -37.2% |
| Profit before tax | | (1,166) | -8.2% | (2,244) | -13.1% | (4,234) | -9.9% | (7,106) | -15.0% | 2,872 | 40.4% |
| Income tax | K | (41) | -0.3% | (56) | -0.3% | 218 | 0.5% | 304 | 0.6% | 86 | 28.3% |
| Net profit (loss) before minority interest | | (1,207) | -8.5% | (2,300) | -13.5% | (4,016) | -9.4% | (6,802) | -14.4% | 2,786 | 41.0% |
| Minority interest | O | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | n/a |
| Group net profit (loss) | O | (1,207) | -8.5% | (2,300) | -13.5% | (4,016) | -9.4% | (6,802) | -14.4% | 2,786 | 41.0% |
| Base earnings per share | | | | | | (0.117) | | (0.199) | | | |
| Diluted earnings per share | | | | | | (0.117) | | (0.199) | | | |

Consolidated statement of comprehensive income

| (€/000) | Note | 9M 2016 | 9M 2015 |
|--|------|----------------|----------------|
| Net profit (loss) before minority interest (A) | | (4,016) | (6,802) |
| Other elements of the statement of comprehensive income | | | |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i> | | | |
| Net profit/(loss) from Cash Flow Hedge | | (7) | 27 |
| Tax effect | | - | - |
| | | (7) | 27 |
| Foreign balance sheets conversion difference | | 8,175 | 4,504 |
| Exchange differences on equity investments in foreign companies | | (875) | 2,599 |
| Tax effect | | - | - |
| | | (875) | 2,599 |
| After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B) | | 7,293 | 7,130 |
| <i>Items not to be reclassified to profit or loss in subsequent periods:</i> | | | |
| Actuarial gains/(losses) on defined benefit plans for employees | | 49 | 0 |
| Tax effect | | (14) | - |
| | | 35 | 0 |
| After taxes net other comprehensive income not being reclassified to profit or loss in subsequent periods (C) | | 35 | 0 |
| Comprehensive net result (A+B+C) | | 3,312 | 328 |
| Comprehensive minority interest | | 0 | 0 |
| Comprehensive Group net profit (loss) for | | 3,312 | 328 |

See explanatory note on page 23.

Consolidated statement of financial position

| (€'000) | Notes | at September 30, 2016 | of which related parties | at December 31, 2015 | of which related parties |
|--|-------|--------------------------|--------------------------------|-------------------------|--------------------------------|
| ASSETS | | | | | |
| Intangible assets | | 94,565 | | 89,682 | |
| Property, Plant and equipment | | 3,140 | | 3,325 | |
| Investments in affiliate companies | | 239 | | 161 | |
| Investments in other companies | | 287 | | 308 | |
| Deferred tax assets | | 1,641 | | 1,351 | |
| Medium/long term borrowing allowed to affiliates companies and other Group | | 90 | 90 | 0 | |
| Other non-current assets | | 685 | | 608 | |
| Total non-current assets | L | 100,647 | | 95,435 | |
| Inventories | | 20,940 | | 20,198 | |
| Trade receivables | | 12,369 | 1,029 | 15,715 | 742 |
| Income tax receivables | | 307 | | 180 | |
| Other current assets | | 2,548 | | 1,650 | |
| Other current financial assets | | 5 | | 76 | |
| Cash & cash equivalents | | 8,028 | | 11,430 | |
| Total current assets | | 44,197 | | 49,249 | |
| Non-current assets classified as held for sale | P | 769 | | 769 | |
| Total assets | | 145,613 | | 145,453 | |
| LIABILITIES AND EQUITY | | | | | |
| Share capital | | 8,879 | | 8,879 | |
| Reserves | | (32,611) | | (33,719) | |
| Share premium reserve | | 136,400 | | 136,400 | |
| Other reserves | | (36,627) | | (39,942) | |
| Group shareholders' equity | O | 108,652 | | 105,337 | |
| Equity attributable to minority interest | O | 0 | | 0 | |
| Total shareholders' equity | O | 108,652 | | 105,337 | |
| Medium-/long-term borrowing | | 4,163 | | 3,401 | |
| Employee benefit obligations | | 2,443 | | 2,127 | |
| Deferred tax liabilities | | 4,346 | | 4,572 | |
| Other non-current liabilities | | 814 | | 940 | |
| Total non-current liabilities | | 11,766 | | 11,040 | |
| Trade payables | | 12,425 | 229 | 14,381 | 1,038 |
| Short-term borrowing | | 6,492 | | 8,316 | |
| Derivative instruments | | 15 | | 8 | |
| Income tax liabilities | | 209 | | 866 | |
| Other current liabilities | | 6,054 | | 5,505 | |
| Total current liabilities | | 25,195 | | 29,076 | |
| Total liabilities | | 36,961 | | 40,116 | |
| Total liabilities and equity | | 145,613 | | 145,453 | |

Consolidated statement of changes in Equity

| (€'000) | Share capital | Legal reserve | Share premium reserve | Conversion reserve | Other reserves | Cash flow hedge reserve | Actuarial gains/(losses) on defined benefit plans reserve | Exchange rate differences reserve | Treasury shares | Profit (loss) for period | Group shareholders' equity | Equity attributable to Minority interest | Total shareholders' equity |
|---|---------------|---------------|-----------------------|--------------------|----------------|-------------------------|---|-----------------------------------|-----------------|--------------------------|----------------------------|--|----------------------------|
| Balance as at December 31, 2014 | 8,879 | 1,037 | 136,400 | 4,413 | (38,469) | (52) | (346) | 2,144 | (3,097) | (8,922) | 101,987 | - | 101,987 |
| 2014 Result allocation | - | 163 | - | - | (9,085) | - | - | - | - | 8,922 | - | - | - |
| Profit (loss) as at September 30, 2015 | - | - | - | - | - | - | - | - | - | (6,802) | (6,802) | - | (6,802) |
| <i>Comprehensive other profit (loss):</i> | | | | | | | | | | | | | |
| - Hedge transactions | - | - | - | - | - | 27 | - | - | - | - | 27 | - | 27 |
| Actuarial gains/(losses) on defined benefit plans for employees | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Foreign balance sheets conversion difference | - | - | - | 4,504 | - | - | - | - | - | - | 4,504 | - | 4,504 |
| - Exchange differences on equity investments in foreign companies | - | - | - | - | - | - | - | 2,599 | - | - | 2,599 | - | 2,599 |
| Comprehensive result | - | - | - | 4,504 | - | 27 | - | 2,599 | - | (6,802) | 328 | - | 328 |
| - Other changes and transfers | - | - | - | 207 | (207) | - | - | - | - | - | - | - | - |
| Balance as at September 30, 2015 | 8,879 | 1,200 | 136,400 | 9,124 | (47,761) | (25) | (346) | 4,743 | (3,097) | (6,802) | 102,315 | - | 102,315 |
| | | | | | | | | | | | | | |
| (€'000) | Share capital | Legal reserve | Share premium reserve | Conversion reserve | Other reserves | Cash flow hedge reserve | Actuarial gains/(losses) on defined benefit plans reserve | Exchange rate differences reserve | Treasury shares | Profit (loss) for period | Group shareholders' equity | Equity attributable to Minority interest | Total shareholders' equity |
| Balance as at December 31, 2015 | 8,879 | 1,200 | 136,400 | 10,601 | (47,761) | (8) | (372) | 5,718 | (3,097) | (6,223) | 105,337 | - | 105,337 |
| 2015 Result allocation | - | 185 | - | - | (6,408) | - | - | - | - | 6,223 | - | - | - |
| Profit (loss) as at September 30, 2016 | - | - | - | - | - | - | - | - | - | (4,016) | (4,016) | - | (4,016) |
| <i>Comprehensive other profit (loss):</i> | | | | | | | | | | | | | |
| - Hedge transactions | - | - | - | - | - | (7) | - | - | - | - | (7) | - | (7) |
| Actuarial gains/(losses) on defined benefit plans for | - | - | - | - | - | - | 35 | - | - | - | 35 | - | 35 |
| - Foreign balance sheets conversion difference | - | - | - | 8,175 | - | - | - | - | - | - | 8,175 | - | 8,175 |
| - Performance Share Plan | - | - | - | - | 3 | - | - | - | - | - | 3 | - | 3 |
| - Exchange differences on equity investments in foreign companies | - | - | - | - | - | - | - | (875) | - | - | (875) | - | (875) |
| Comprehensive result | - | - | - | 8,175 | 3 | (7) | 35 | (875) | - | (4,016) | 3,315 | - | 3,315 |
| Balance as at September 30, 2016 | 8,879 | 1,385 | 136,400 | 18,776 | (54,166) | (15) | (337) | 4,843 | (3,097) | (4,016) | 108,652 | - | 108,652 |

Net financial debt

Pursuant to the CESR recommendation of 10 February 2005, the following table shows the Group's net financial debt at 30 September 2016, breaking it down by due date and comparing it with the situation at 30 September 2015 and 31 December 2015:

| (€'000) | | at September 30, 2016 | at December 31, 2015 | at September 30, 2015 |
|---|----------------|--------------------------|-------------------------|--------------------------|
| Cash & cash equivalents | A | (8,028) | (11,430) | (12,893) |
| Cash equivalent | B=A | (8,028) | (11,430) | (12,893) |
| Other current financial assets | C | (5) | (76) | (76) |
| Derivative instruments | D | 15 | 8 | 25 |
| Short-term borrow ing | E | 6,492 | 8,316 | 9,266 |
| Short-term financial position | F=C+D+E | 6,502 | 8,248 | 9,215 |
| Short-term net financial position | G=B+F | (1,526) | (3,182) | (3,678) |
| Medium/long term borrow ing | H | 4,163 | 3,401 | 5,365 |
| Medium-/long-term net financial position | I=H | 4,163 | 3,401 | 5,365 |
| (NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions | J=G+I | 2,637 | 219 | 1,687 |
| Medium/long term borrow ing allow ed to affiliates companies and other Group companies | K | (90) | 0 | 0 |
| (NET FINANCIAL POSITION) NET DEBT | L=J+K | 2,547 | 219 | 1,687 |

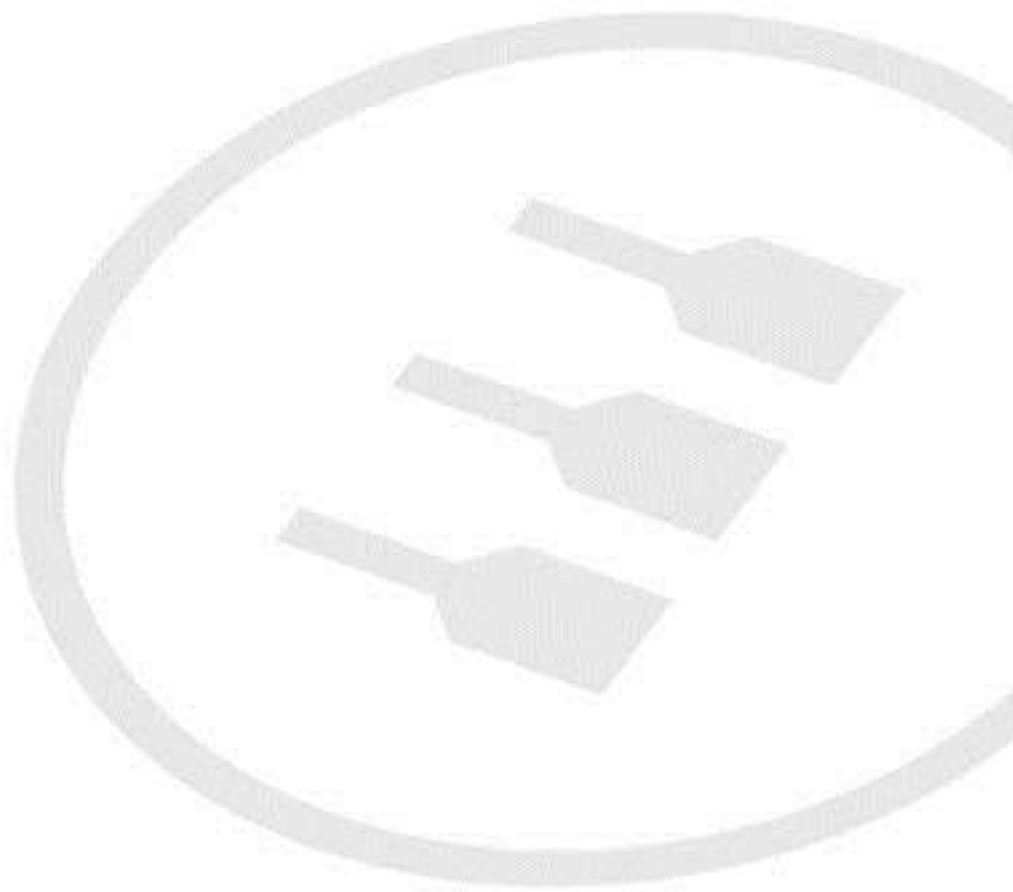
Working capital

The Group's working capital as at 30 September 2016, compared with the situation at 30 September 2015 and 31 December 2015, is as follows:

| (€'000) | Notes | 2016 (b) | 2015 (a) | 2015 | Changes (b-a) |
|----------------------------|----------|-----------------|-----------------|-----------------|------------------|
| Inventories | | 20,940 | 20,198 | 19,993 | 742 |
| Trade receivables | | 12,369 | 15,715 | 18,397 | (3,346) |
| Income tax receivables | | 307 | 180 | 123 | 127 |
| Other current assets | | 2,548 | 1,650 | 1,985 | 898 |
| Current assets | | 36,164 | 37,743 | 40,498 | (1,579) |
| Trade payables | | (12,425) | (14,381) | (15,586) | 1,956 |
| Income tax liabilities | | (209) | (866) | (400) | 657 |
| Other current liabilities | | (6,054) | (5,505) | (7,479) | (549) |
| Current liabilities | | (18,688) | (20,752) | (23,465) | 2,064 |
| Net working capital | M | 17,476 | 16,991 | 17,033 | 485 |

Cash flow

| (€'000) | | at September 30, 2016 | at December 31, 2015 | at September 30, 2015 |
|---|-----------|--------------------------|-------------------------|--------------------------|
| Cash flow generated (used) in operations | A | (2,467) | (3,503) | (5,610) |
| Cash flow generated (used) in investment activities | B | 570 | (459) | 385 |
| Cash flow generated (absorbed) by financial assets | C | (1,539) | 419 | 3,507 |
| Net foreign exchange difference | D | 34 | 869 | 507 |
| Increases (decreases) in cash & cash equivalents | E=A+B+C+D | (3,402) | (2,674) | (1,211) |
| Opening amount in cash & cash equivalents | | 11,430 | 14,104 | 14,104 |
| Cash & cash equivalents at end of period | | 8,028 | 11,430 | 12,893 |



A – Eurotech Group business

The Eurotech Group operates in the segments of miniaturised computers for special uses and M2M integration SW platforms (nanoPCs) and supercomputers with energy-efficient high-performance computing capability (HPCs).

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

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

The HPC line consists of green supercomputers currently targeting universities, research institutes and data-processing centres.

Eurotech shares (ETH.MI) have been listed on the STAR segment of the Italian stock exchange since 30 November 2005.

B – Basis of consolidation

The companies included in the basis of consolidation on a line-by-line basis at 30 September 2016 are as follows:

| Company name | Registered offices | Share capital | Group share |
|--|---|----------------|-------------|
| <i>Parent company</i> | | | |
| Eurotech S.p.A. | Via Fratelli Solari, 3/A – Amaro (UD) | Euro 8,878,946 | |
| <i>Subsidiary companies consolidated line-by-line</i> | | | |
| Aurora S.r.l. | Via Fratelli Solari, 3/A – Amaro (UD) | Euro 10,000 | 100.00% |
| Dynatem Inc. | Mission Viejo (USA) | USD 1,000 | 100.00% |
| ETH Devices S.r.o. | Bratislava (Slovakia) | Euro 10,000 | 100.00% |
| EthLab S.r.l. | Via Dante, 300 – Pergine Valsugana (TN) | Euro 115,000 | 100.00% |
| Eurotech Inc. | Columbia (USA) | USD 26,500,000 | 100.00% |
| Eurotech Ltd. | Cambridge (UK) | GBP 33,333 | 100.00% |
| E-Tech USA Inc. | Columbia (USA) | USD 8,000,000 | 100.00% |
| Eurotech France S.A.S. | Venissieux (France) | Euro 795,522 | 100.00% |
| I.P.S. Sistemi Programmabili S.r.l. | Via Piave, 54 – Caronno Varesino (VA) | 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. | | | |
| <i>Subsidiaries valued at equity</i> | | | |
| Chengdu Vantron Technology Inc. | Chengdu (China) | | 45.00% (2) |
| eVS embedded Vision Systems S.r.l. | Ca' Vignal2, Strada Le Grazie 15 – Verona | | 24.00% |
| Emilab S.r.l. | Via F.lli Solari, 5/A – Amaro (UD) | | 24.82% |
| Rotowi Technologies S.p.A. in liquidation (formerly U.T.R.I. S.p.A.) | Via del Follatolo, 12 – Trieste | | 21.31% |

(2) The company was classified under assets held for sale on 30.09.2016 (see note P)

Other smaller companies valued at cost

| | | |
|-----------------|----------------------|--------|
| Kairos Autonomi | Salt Lake City (USA) | 19.00% |
|-----------------|----------------------|--------|

No changes took place with regard to subsidiaries and affiliates compared with 31 December 2015 except for what is specified in note P.

The following table provides information on the exchange rates used to translate foreign companies' financial statements into the Eurotech Group's presentation currency (the euro). The rates correspond to those released by the Italian Foreign Exchange Bureau (Ufficio Italiano Cambi).

| Currency | Average 9 Months 2016 | As of September 30, 2016 | Average 2015 | As of December 31, 2015 | Average 9 Months 2015 | As of September 30, 2015 |
|------------------------|--------------------------|--------------------------------|--------------|-------------------------------|--------------------------|--------------------------------|
| British pound sterling | 0.80304 | 0.86103 | 0.72600 | 0.73395 | 0.72715 | 0.73850 |
| Japanese Yen | 120.95228 | 113.09000 | 134.28658 | 131.07000 | 134.77759 | 134.69000 |
| USA Dollar | 1.11617 | 1.11610 | 1.10963 | 1.08870 | 1.11436 | 1.12030 |

C - Revenues

Revenues earned by the Group amount to €42.58 million (€47.26 million in the first nine months of 2015), a decrease of €4.68 million (9.9%) on the same period of last year. This trend is due to the reduction in turnover in North America and Europe compared to the period of comparison. The Japanese area, also affected by exchange rates, showed a slight increase.

For management purposes, the Group is organised into business areas, also called business segments: "NanoPC" and "HPC (High Performance Computers)" are the significant segments. In view of the current predominance of the nanoPC segment it has been decided to provide disclosure on it on a geographical basis, in terms of the location of the Group's companies and based on the same criteria for monitoring activities as is currently used by top management.

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

Revenues by business segment

Revenue trends by individual business areas and related changes were as follows:

| 3rd Q 2016 | % | 3rd Q 2015 | % | | 9M 2016 | % | 9M 2015 | % | Var. % |
|----------------------------------|---------------|---------------|---------------|---|---------------|---------------|---------------|---------------|--------------|
| SALES BY BUSINESS SEGMENT | | | | | | | | | |
| 14,143 | 100.0% | 17,043 | 99.8% | NanoPC | 42,371 | 99.5% | 47,020 | 99.5% | -9.9% |
| 0 | 0.0% | 42 | 0.2% | High Perf. Computer | 211 | 0.5% | 240 | 0.5% | -12.1% |
| 14,143 | 100.0% | 17,085 | 100.0% | TOTALE SALES AND SERVICE REVENUE | 42,582 | 100.0% | 47,260 | 100.0% | -9.9% |

NanoPC revenues decreased by 9.9%, from €47.02 million in the first nine months of 2015 to €42.37 million in the first nine months of 2016.

HPC revenues decreased from €240 thousand in the first nine months of 2015 to €211 thousand in the first nine months of 2016. HPC revenues are still marked by a few large orders for a limited number of customers, traditionally in the science and research field and today in the services area as well, and this makes distribution of the turnover over time extremely uneven.

Revenues of nanoPC segment by business geographical area

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

| (€' 000) | North America | | | Europe | | | Asia | | | Correction, reversal and elimination | | | Total | | |
|----------------------|---------------|---------|-------------|---------|---------|-------------|---------|---------|-------------|--------------------------------------|---------|-------------|---------|---------|-------------|
| | 9M 2016 | 9M 2015 | %YoY Change | 9M 2016 | 9M 2015 | %YoY Change | 9M 2016 | 9M 2015 | %YoY Change | 9M 2016 | 9M 2015 | %YoY Change | 9M 2016 | 9M 2015 | %YoY Change |
| Third party Sales | 14,774 | 18,408 | | 9,847 | 11,783 | | 17,750 | 16,829 | | 0 | 0 | | 42,371 | 47,020 | |
| Infra-sector Sales | 389 | 370 | | 2,760 | 2,599 | | 189 | 309 | | (3,338) | (3,278) | | 0 | 0 | |
| Total Sales revenues | 15,163 | 18,778 | -19.3% | 12,607 | 14,382 | -12.3% | 17,939 | 17,138 | 4.7% | (3,338) | (3,278) | -18% | 42,371 | 47,020 | -9.9% |

The North American business area's revenues totalled €15.16 million in 9M16 compared with €18.78 million in 9M15, are down 19.3%. This change is due to an extemporary misalignment in transition between projects completed or about to be completed and new projects, which causes a temporary drop in turnover. Moreover, opportunities in the IoT segment are materialising based on the ability of the customers to implement the new IoT technologies on a large scale. Lastly, the wait to activate existing contracts in the transport segment is lengthening beyond all possible forecasts, and although the project is still viable and relevant, it is unknown when it can take shape in terms of turnover. In the meantime, continuous relations with the traditional customers are strategic as they have always counted on the reliability of the Group and on Eurotech's possibility to solve its customers' technological problems, also from the innovation partnership viewpoint.

Due to the reduction in the United Kingdom area, the European business area registered the expected drop in revenues from €14.38 million in 9M15 to €12.61 million in 9M16, which represents a decrease of 12.3% including interregional sales. This reduction is particularly attributable to the lower turnover of the UK and French subsidiaries, whose opportunities with traditional customers in the embedded segment proved lower than expected. More substantial opportunities arose in the area of the Italian company in the transport segment, and in particular in Asia where the creation of new infrastructures or modernisation of vehicles might aid the sale of Group products specific for that sector. Performance is still nevertheless seesaw because the three major European countries where the Group operates (Italy, France and the UK) are still undergoing economic stagnation.

The Asian business area reported 4.7% growth due to the exchange rate effect, and is still in line with its sales of last year.

Revenues by customer geographical area

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

| 3rd Q 2016 | % | 3rd Q 2015 | % | BREAKDOWN BY GEOGRAPHIC AREA | 9M 2016 | % | 9M 2015 | % | var. % |
|---------------|---------------|---------------|---------------|---|---------------|---------------|---------------|---------------|--------------|
| 1,562 | 11.0% | 1,769 | 10.4% | European Union | 7,208 | 16.9% | 7,478 | 15.8% | -3.6% |
| 4,364 | 30.9% | 7,378 | 43.2% | United States | 15,028 | 35.3% | 19,730 | 41.7% | -23.8% |
| 7,577 | 53.6% | 7,447 | 43.6% | Japan | 17,729 | 41.6% | 17,001 | 36.0% | 4.3% |
| 640 | 4.5% | 491 | 2.9% | Other | 2,617 | 6.1% | 3,051 | 6.5% | -14.2% |
| 14,143 | 100.0% | 17,085 | 100.0% | TOTAL SALES AND SERVICE REVENUES | 42,582 | 100.0% | 47,260 | 100.0% | -9.9% |

With reference to the figures by geographical area reported in the table, revenues generated in the nine-month period in the US fell by 23.8% and it contributed 35.3% to total revenues in the first nine months of 2016.

Japan reported a slight increase (4.3%) and became the predominant area at the end of these first 9 months by contributing 41.6% to the Group's revenues.

In Europe, again with reference to customer location, turnover decreased by 3.6%, and accounted for about 16.9% of total revenues. The area is still affected by sluggish demand for the traditional products, and a demand still in the growth stage for the new M2M/IoT offer.

D – Costs of raw & auxiliary materials and consumables used

Costs of raw & auxiliary materials and consumables used, which relate in absolute terms to sales, fell in the period under review from €24.71 million in 9M15 to €21.51 million in 9M16. Due to the different mix of products and an attentive purchasing policy, the consumption of raw & auxiliary materials and consumables decreased more than proportionately compared with the sales trend, as a result recovering a few percentage points compared to what was registered in the half-year.

As a percentage of revenues, consumption of raw & auxiliary materials and consumables fell to 50.5% in 9M16 (compared with 52.3% in 2015).

E – Service costs

Service costs decreased from €10.09 million in 9M15 to €8.88 million in 9M16, a sizeable decrease in absolute terms of €1.21 million, or 12.0%. This cost item decreased as a percentage of revenues from 21.4% in 9M15 to 20.9% in 9M16.

F – Payroll costs

In the period under review, payroll costs decreased by 5.1%, from €15.80 million to €14.99 million. This cost decrease is connected with the reduced average number of employees following both the sale of the security and traffic business unit in February 2016 and reorganisation of the work force in several geographical areas.

The effect is not entirely visible due to the appreciation of the yen in 9M16 compared to the same period in 2015.

As shown in the table below, the number of Group employees decreased at the end of the period under review, dropping from 365 in 9M15 to 326 in 9M16. The figure is also down by 15 units compared to the 31.12.2015 figure, a sign of the close attention management pays to the proper sizing of the operations structure in keeping with the strategic development guidelines.

The table below shows the number of Group employees by category, in each of the periods compared:

| Employees | at September 30, 2016 | at December 31, 2015 | at September 30, 2015 |
|------------------|--------------------------|-------------------------|--------------------------|
| Manager | 6 | 10 | 12 |
| Clerical workers | 296 | 303 | 324 |
| Line workers | 24 | 28 | 29 |
| TOTAL | 326 | 341 | 365 |

G – Other provisions and costs

At 30 September 2016, this item included a provision for doubtful accounts of €85 thousand (€92 thousand in the first nine months of 2015), and refers to provisions made for the possibility of uncollectable trade receivables.

Other provisions and costs as a percentage of revenues were 1.4% versus 1.7% in the same period in 2015.

H – Other revenues

Other revenues rose by €2.26 million. This item increased from €2.13 million in 9M15 to €4.39 million in 9M16. Other revenues comprise the capitalisation of development costs for new solutions featuring highly integrated standard modules and systems for €1.39 million (€1.45 million in the first nine months of 2015), as well as miscellaneous income of €1.94 million (€0.37 million in the first nine months of 2015), while operating grants totalled €1.06 million (€0.31 thousand in the first nine months of 2015).

Other revenues comprise the capital gains of €1,705 thousand generated by the sale of the IPS business unit described on page 12.

I - Depreciation, amortization and impairment

This item decreased by €0.30 million, from €4.16 million in 9M15 to €3.86 million in 9M16, due to the lower depreciation and amortisation recognised.

PPA depreciation and amortisation, which came to €1.84 million, totally refer to the residual amount of the Advanet Inc. customer relationship.

J – Financial income and expenses

Financial expenses went from €1.31 million in 9M15 to €1.03 million in 9M16 due to the combined effect of the increase in exchange rate losses and an overall reduction in interest expenses.

The different impact of exchange rates also impacted financial income, which went from €1.54 million in 9M15 to €0.97 million in 9M16; in addition to lower gains on exchange rates, interest income and other financial income gains decreased as well.

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

- foreign exchange losses: €0.64 million at 30 September 2016 (1.5% as a percentage of revenues), compared with €0.87 million at 30 September 2015 (1.9% as a percentage of revenues);
- foreign exchange gains: €0.86 million at 30 September 2016 (2.0% as a percentage of revenues), compared with €1.50 million at 30 September 2015 (3.2% as a percentage of revenues);
- miscellaneous interest expenses: €387 thousand at 30 September 2016 (0.9% as a percentage of revenues), compared with €438 thousand at 30 September 2015 (0.9% as a percentage of revenues).

| 3rd Q 2016 | 3rd Q 2015 | | 9M 2016 | 9M 2015 |
|------------|------------|--------------------------|--------------|--------------|
| | | (€'000) | | |
| 227 | 103 | Exchange-rate losses | 641 | 874 |
| 89 | 126 | Interest expenses | 280 | 321 |
| 3 | 0 | Expenses on derivatives | 5 | 34 |
| 7 | 34 | Other finance expenses | 102 | 83 |
| 326 | 263 | Financial charges | 1,028 | 1,312 |

| 3rd Q 2016 | 3rd Q 2015 | | 9M 2016 | 9M 2015 |
|------------|------------|--|--------------|--------------|
| | | (€'000) | | |
| 308 | 260 | Exchange-rate gains | 858 | 1,501 |
| 0 | 4 | Interest income due to the discounting | 0 | 13 |
| (8) | 2 | Interest income | 0 | 7 |
| 107 | 11 | Other finance income | 110 | 21 |
| 407 | 277 | Financial incomes | 968 | 1,542 |
| 81 | 14 | Net financial income | (60) | 230 |

K – Income taxes

Taxes at 30 September 2016 are receivable and amount to a total of €0.22 million (of which €0.77 million for current taxes and €0.98 million for net deferred tax assets) compared with tax of €0.30 million at 30 September 2015 (of which €0.53 million for current taxes and €0.83 million for net deferred tax assets), representing a lower cost of €0.08 million.

L – Non-current assets

The positive change in non-current assets between 31 December 2015 and 30 September 2016 for € 5.21 million was primarily due to foreign exchange rate changes, as well as net investments of €1.77 million in property, plant and equipment and intangible assets (before depreciation and amortisation totalling €3.86 million).

The most significant increase is related to intangible assets and is largely linked to projects to develop new products carried out by the Group.

a – Intangible assets

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

| (€ '000) | DEVELOPMENT COSTS | GOODWILL | SOFTWARE TRADEMARKS PATENTS | ASSETS UNDER CONSTRUCTION & ADVANCES | OTHER INTANGIBLE ASSETS | TOTAL INTANGIBLE ASSETS |
|---|-------------------|---------------|-----------------------------|--------------------------------------|-------------------------|-------------------------|
| OPENING BALANCE (A) | 2,539 | 72,171 | 8,304 | 2,396 | 4,272 | 89,682 |
| <i>Changes as at September 30, 2016</i> | | | | | | |
| - Purchases | 84 | - | 71 | 1,140 | - | 1,295 |
| - Disposals | (396) | - | (7) | (3) | - | (406) |
| - Amortisation and impairment in period (-) | (1,233) | - | (87) | - | (1,881) | (3,201) |
| - Discontinued operations | 47 | - | - | 3 | - | 50 |
| - Other changes | 1,567 | 5,335 | 1,301 | (1,591) | 533 | 7,145 |
| Total changes (B) | 69 | 5,335 | 1,278 | (451) | (1,348) | 4,883 |
| CLOSING BALANCE (A+B) | 2,608 | 77,506 | 9,582 | 1,945 | 2,924 | 94,565 |

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

| Cash generating units | at September 30, 2016 | |
|---|-----------------------|--|
| | Goodwill | Trademark with an indefinite useful life |
| Advanet Inc. | 49,313 | 9,364 |
| Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.) | 21,980 | - |
| Eurotech Ltd. (ex Arcom Ltd.) | 5,072 | - |
| Eurotech France S.a.s. | 1,051 | - |
| Other | 90 | - |
| TOTAL | 77,506 | 9,364 |

b – Property, plant and equipment

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

| (€ '000) | LAND AND BUILDINGS | PLANT AND MACHINERY | INDUSTRIAL & COMMERCIAL EQUIPMENT | OTHER ASSETS | ASSETS UNDER CONSTRUCTION & ADVANCES | LEASED ASSETS | TOTAL PROPERTY, PLANT & EQUIPMENT |
|---|--------------------|---------------------|-----------------------------------|--------------|--------------------------------------|---------------|-----------------------------------|
| OPENING BALANCE (A) | 1,199 | 480 | 528 | 1,057 | - | 61 | 3,325 |
| <i>Changes as at September 30, 2016</i> | | | | | | | |
| - Purchases | 1 | 36 | 206 | 177 | 2 | 49 | 471 |
| - Disposals | - | (22) | (55) | (36) | - | - | (113) |
| - Amortisation and impairment in period (-) | (27) | (139) | (203) | (256) | - | (39) | (664) |
| - Discontinued operations | - | - | - | - | - | - | - |
| - Other changes | - | 21 | 34 | 59 | - | 7 | 121 |
| Total changes (B) | (26) | (104) | (18) | (56) | 2 | 17 | (185) |
| CLOSING BALANCE (A+B) | 1,173 | 376 | 510 | 1,001 | 2 | 78 | 3,140 |

M – Net working capital

Net working capital rose by €0.48 million, from €16.99 million at 31 December 2015 to €17.48 million at 30 September 2016.

Current assets fell by €1.58 million because of the reduced trade receivables, and are only partly offset by the increase in inventories and the other current assets. The reduction in current liabilities, €2.06 million, is mainly due to the decreased trade payables.

N – Net financial position

The Group's net financial position at 30 September 2016 is €2.55 million, compared with the amount of €0.22 million at 31 December 2015.

The change is mainly due to the use of available cash to support current operations, also considering the historic seasonality of the Eurotech Group's turnover, which generates greater cash in bank during the second part of the half-year, and the disbursement for investments made in the various business areas.

See also Cash flow on page 21.

Available cash amounted to €8.03 million.

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

Short-term financial liabilities mainly consist of current account overdrafts, the current portion of mortgage loans, and payables to other lenders falling due by 30 September 2016.

O – Shareholders' equity

The share capital at 30 September 2016 was made up of 35,515,784 ordinary shares, wholly subscribed and paid up, with no nominal value.

The balance of the Issuer's legal reserve at 30 September 2016 amounted to €1.38 million and increased by €185 thousand following allocation of part of the 2015 annual results of the Parent Company.

The share premium reserve, which relates entirely to the Parent Company, was booked for a total amount of €136.4 million.

The positive translation reserve of €18.78 million was generated by inclusion in the interim management statement of the statements of financial position and income statements of US subsidiaries Eurotech Inc., Dynatem Inc. and E-Tech USA Inc., UK subsidiary Eurotech Ltd. and Japanese subsidiary Advanet Inc.

The other reserves item was negative for €54.17 million and comprised the Parent Company's surplus reserve, formed by losses carried forward, allocations of retained earnings from prior years and other reserves of miscellaneous origin. The change in the year is to be attributed to allocation of the 2015 results net of the value allocated to the legal reserve.

The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IAS 39, was negative for €15 thousand and decreased by €7 thousand gross of the tax effect, which was not recognised due to absence of the relative prerequisites.

The foreign exchange reserve in which – based on IAS 21 – foreign exchange differences relating to intragroup foreign-currency loans that constitute part of a net investment in a foreign shareholding are recognised, was positive by €4.84 thousand and decreased by €0.87 million gross of the related tax effect; again it was not recorded due to the absence of the prerequisites.

On 16 September 2016, the Board of Directors executed the share performance plan that the Annual General Meeting had approved on 22 April 2016. The amounts at 30 September 2016 are still limited (€3 thousand) in terms of the time span considered.

At the end of the reporting period the Parent Company, Eurotech S.p.A., held 1,319,020 treasury shares (same amount at 31 December 2015).

P - Assets classified as held for sale

On 9 August 2016, the subsidiary EthLab S.r.l. signed an agreement with the company Chengdu Vantron Technology Inc. to sell its shares (45% of the share capital) in the same company at a price of USD 850 thousand; such sale is however subject to the authorisation of the local Chinese authorities. As the authorisation is still pending, the value of the shareholding was recognised as an asset held for sale, and the corresponding value was reclassified to 31 December 2015.

The share capital at 30 September 2016 was made up of 35,515,784 ordinary shares, wholly subscribed and paid up, with no nominal value.

Q – Significant events in the quarter

The major events of the quarter were announced in the press releases listed below (the complete text can be consulted at the Group website www.eurotech.com on page <http://www.eurotech.com/IT/sala+stampa/news>):

– 06/07/2016: [Eurotech adds Predixion Software to the ecosystem of IoT partners to support customer implementations](#)

- 12/07/2016 [FreeWire Technologies chooses Eurotech's IoT architecture and products for its smart reload systems](#)
- 18/07/2016 [Eurotech becomes a Cisco STI Partner to develop vertical solutions](#)
- 04/08/2016 [Eurotech announces a winning design for the joint development of the hardware platform to control systems in the electric power plants in Japan](#)
- 05/08/2016 [Eurotech wins the IoT Evolution 2016 Product of the Year award](#)
- 29/08/2016 Eurotech: BoD approves consolidated half-year results at 30 June 2016
- 07/09/2016 [Eurotech presents the new IoT Development Kits that considerably speed up the development and implementation of IoT applications and solutions](#)
- 08/09/2016 [Industry 4.0: production lines become smart with the use of Internet of Things applied to the manufacturing sector](#)
- 20/09/2016 [Eurotech presents new railway application products to Innotrans](#)
- 26/09/2016 [Eurotech announces ESF release 4.0 with support for the new ReliaGATE 20-25 and multcloud connectivity](#)

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

R – Events after the reporting period

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

- 18/10/2016 [Eurotech works with Red Hat to release the first version of the Eclipse Kapua source code](#)
- 26/10/2015 [Eurotech presents a new Development Kit for implementing IoT applications from the field to cloud in just a few minutes](#)

The company also took part in the Star Conference 2016 in London on 7 October.

No other significant events took place after the reporting date.

S - Risks and uncertainties

Please refer to the paragraphs “Main risks and uncertainties to which the Group is exposed” and “Financial risk management: objectives and criteria” in the 2015 Consolidated Financial Statements, in which the risks to which the Eurotech Group is subject are explained.

T – Other information

We also specify that:

- Group intercompany transactions take place at market prices and are eliminated during the consolidation process
- Group companies' related-party transactions form part of the normal course of business and are settled under arm's length conditions

- pursuant to CONSOB communication 15519/2005, there were no non-recurring economic components in the consolidated quarterly results to 30 September 2016
- pursuant to CONSOB communication DEM/6064296 of 28 July 2006, there were no atypical and/or unusual transactions carried out in the third quarter of 2016
- at 30 September 2016 the company held 1,319,020 treasury shares for a total value of €3,097 thousand: Treasury shares of the Parent Company were not purchased on the stock market during the first nine months of 2016.
- the detailed Corporate Governance report is provided with the annual financial statements
- pursuant to CONSOB communication DEM/11070007 of 5 August 2011, relating to disclosure in financial reports of the exposure of listed companies to sovereign debt, note that the Group does not hold sovereign debt securities
- as regards the requirements of Article 150, paragraph 1, of Italian Legislative Decree no. 58 of 24 February 1998, no members of the Board of Directors have executed transactions with Group companies in situations of potential conflict of interest
- pursuant to Article 3 of Consob Resolution no. 18079 of 20 January 2012, Eurotech has adopted the simplification procedure set out in Articles 70, paragraph 8, and 71, paragraph 1-bis, of the Regulation adopted by Consob with Resolution no. 11971 of 14 May 1999 as amended. It therefore opts to derogate from the requirement to publish the information documents set out in Attachment 3B of this Consob Regulation for significant transactions such as mergers, spin-offs, capital increases via contributions in kind, acquisitions and sales.

Amaro, 11 November 2016

On behalf of the Board of Directors

Signed Roberto Siagri
Chairman

Declaration of the Financial Reporting Manager

Amaro, 11 November 2016

DECLARATION

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

I, Sandro Barazza,

Financial Reporting Manager of Eurotech S.p.A., with reference to the Consolidated Interim Management Statement at 30 September 2016 approved by the company's Board of Directors on 11 November 2016,

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in compliance with the matters set forth under ex - art. 154 bis , section 2, letter - part IV, title III, chapter II, section V-bis of the Legislative Decree 58 of 24 February 1998, to the best of my knowledge, the Consolidated Interim Management Statement at 30 September 2016 corresponds to the accounting entries.

The Financial Reporting Manager
Signed Sandro Barazza

