EUROTECH

Imagine. Build. Succeed.

Consolidated Half-Year financial report

at 30 June 2014

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

The financial statements included in this
document are unaudited.

Date of issue: 29 August 2014
This file 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.: Tax code 01791330309

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Corporate Bodies

Board of Directors	
Chairman	Roberto Siagri [7]
Vice Chairman	Giampietro Tecchiolli
Director	Giulio Antonello [1,2,3]
Director	Sandro Barazza [1,4]
Director	Paola Bonomo [1,2,5,6,7]
Director	Riccardo Costacurta [1,2,3,5,6]
Director	Chiara Mio [1,2,3,5,6,7,8]
Director	Dino Paladin [1]
Director	Giuseppe Panizzardi [1]

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 24 April 2014, 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.

Information for shareholders

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

Share capital of Eurotech S.p.A. at 30 June 2014

Share capital:	EUR 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 December 2014)	Euro 72 million
Stock market capitalisation (based on the share's reference price at 30 June 2014)	Euro 73 million

Performance of Eurotech S.p.A. shares

Relative performance of EUROTECH S.p.A. shares
1 January 2014 - 30 June 2014

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

Management report

Introduction

The annual consolidated financial statements for the Eurotech Group are prepared in compliance with the international financial reporting standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission as per the procedure set forth in Article 6 of the EC Regulation no. 1606/2002 of the European Parliament and European Council dated 19 July 2002.
This consolidated half-year financial report for the six months to 30 June 2014 was prepared in accordance with IAS 34 - Interim Financial Reporting and Article 154-ter of the Consolidated Finance Law ("TUF"). This consolidated half-year financial report does not include all the information required for the preparation of the consolidated annual financial statements, and must therefore be read in conjunction with the consolidated annual financial statements at 31 December 2013.
Unless otherwise stated, data are expressed in thousands of euro (€ '000).

Performance highlights

As a result of the sale of the US subsidiary Parvus Corp. on 1 October 2013 (whose effects were fully explained in the explanatory notes to the 2013 financial statements), the operating results of this subsidiary at 30 June 2013 were classified to the item "Net Profit (Loss) of discontinued operations and assets held for sale", consistent with the provisions of IFRS 5, and consequently the comparison values were consistently restated.
Following this operation, the term "continuing operations" will mean all operations existing within the new scope of consolidation of the Eurotech Group starting from 1 October 2013.

Income statement highlights

(€'000)	1H 2014	%	1H 2013	%	% change
OPERATING RESULTS					
SALES REVENUES	31,028	100.0%	28,294	100.0%	9.7%
GROSS PROFIT MARGIN	15,149	48.8%	14,325	50.6%	5.8%
EBITDA	(1,349)	-4.3%	(2,365)	-8.4%	43.0%
EBIT	(3,923)	-12.6%	(5,527)	-19.5%	29.0%
PROFIT (LOSS) BEFORE TAXES	(4,170)	-13.4%	(4,728)	-16.7%	11.8%
PROFIT (LOSSES) FROM DISCONTINUED OPERATIONS	0	0.0%	98	0.3%	-100.0%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	(4,667)	-15.0%	(4,560)	-16.1%	-2.3%

Balance sheet and financial highlights

PATRIMONIAL DATES	at June 30, 2014	at December 31, 2013
Non-current assets	**91,535**	**91,880**
- of which net intangible assets	84,830	83,233
- of which net tangible assets	3,734	3,518
Current assets	**51,274**	**63,597**
TOTAL ASSETS	**142,809**	**155,477**
Group shareholders' equity	**105,760**	**108,099**
Minority interest	**0**	**0**
Non-current liabilities	**10,009**	**11,453**
Current liabilities	**27,040**	**35,925**
TOTAL LIABILITIES AND EQUITY	**142,809**	**155,477**

€'000	at June 30, 2014	at December 31, 2013
NET FINANCIAL POSITION	**(10,244)**	**(15,113)**
NET WORKING CAPITAL	**12,434**	**12,054**
NET INVESTED CAPITAL*	**95,516**	**92,986**
CASH FLOW DATA		
Cash flow generated (used) in operations	(2,815)	6,206
Cash flow generated (used) in investment activities	(2,367)	23,349
Cash flow generated (absorbed) by financial assets	(6,675)	(8,315)
Net foreign exchange difference	350	(2,947)
TOTAL CASH FLOW	**(11,507)**	**18,293**

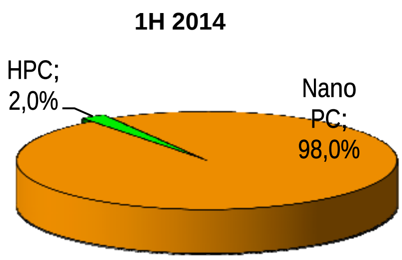
(*) Non-current non-financial assets, plus working capital, less non-current non-financial liabilities.

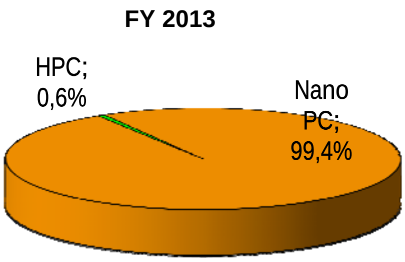
Employee headcount

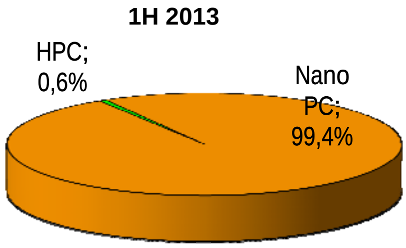
	at June 30, 2014	at December 31, 2013	at June 30, 2013
EMPLOYEES	368	354	366

Revenues by business line

(€'000)	NanoPC				High Performance Computer				Total			
	1H 2014	1H 2013	% YoY Change	FY 2013	1H 2014	1H 2013	% YoY Change	FY 2013	1H 2014	1H 2013	% YoY Change	FY 2013
Sales revenues	30,392	28,127	8.1%	65,729	636	167	280.8%	377	31,028	28,294	9.7%	66,106







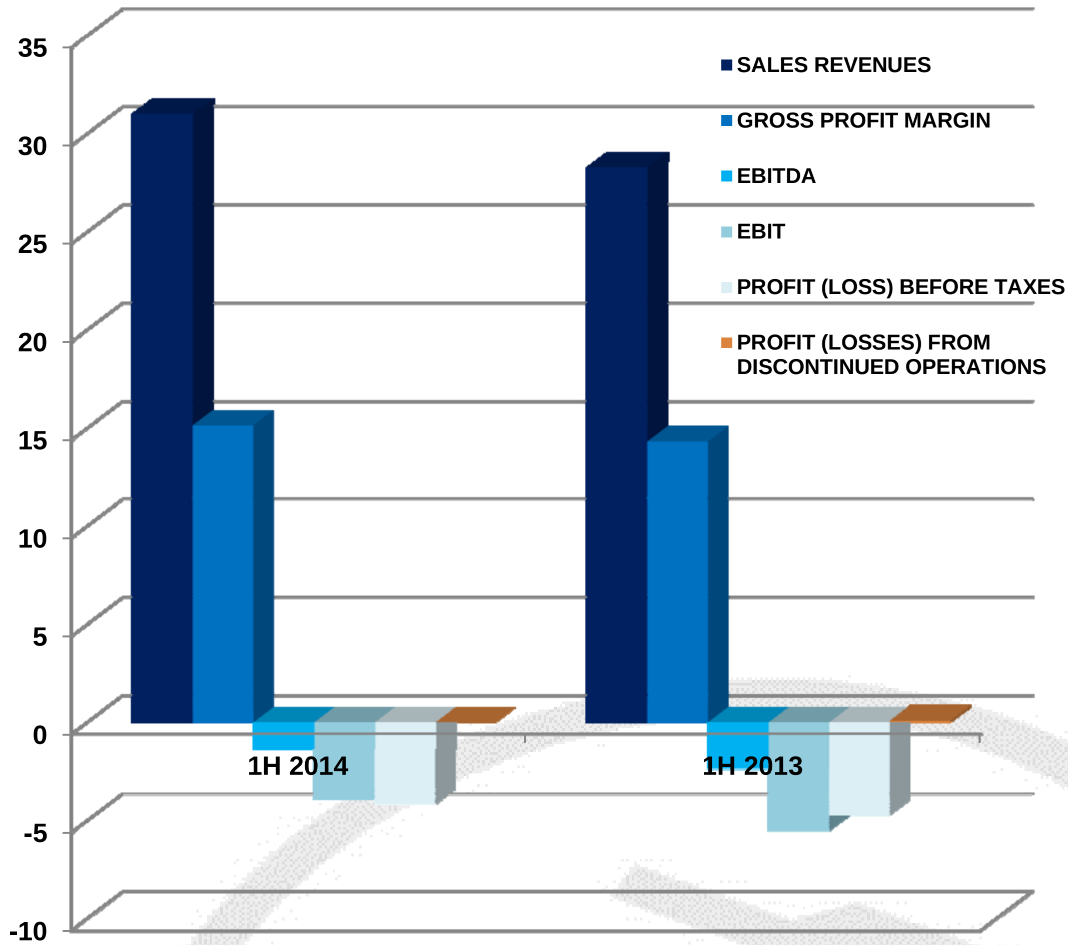
The business lines covered by the Group are 'NanoPCs' and 'HPCs' (High Performance Computers). The NanoPC line comprises miniaturised electronic modules and systems for the transport, logistics, defence, security, medical and industrial sectors, while the HPC line consists of highly energy-efficient supercomputers, currently targeting universities, research institutes and computing centres. Volumes in the HPC business line are affected by the cyclicality of the purchasing model of our clients operating in this sector.

In view of the clear predominance of the NanoPC business line, information broken down by region has been provided only for this line, in relation to the Group's various units and based on the way in which these are monitored by top management. There are no significant transactions between the business lines.
The Group's geographical regions in the NanoPC line are defined according to the location of Group assets and transactions. These regions are currently: Europe, North America and Asia.

Revenues of the NanoPC line by business region

(Migliaia di Euro)	Nord America			Europa			Asia			Rettifiche, storni ed eliminazioni			Totale		
	1° semestre 2014	1° semestre 2013	Var % 14-13	1° semestre 2014	1° semestre 2013	Var % 14-13	1° semestre 2014	1° semestre 2013	Var % 14-13	1° semestre 2014	1° semestre 2013	Var % 14-13	1° semestre 2014	1° semestre 2013	Var % 14-13
Ricavi verso terzi	9.036	8.859		10.362	9.078		10.994	10.190		0	0		30.392	28.127	
Ricavi infra-settoriali	167	310		1.204	2.268		78	173		(1.449)	(2.751)		0	0	
Ricavi delle vendite totali	9.203	9.169	0,4%	11.566	11.346	1,9%	11.072	10.363	6,8%	(1.449)	(2.751)	47,3%	30.392	28.127	8,1%

Performance



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: (1) miniaturisation of 'smart' devices, i.e. devices capable of processing information; (2) their spread in the real world – inside buildings and equipment, on board vehicles, worn by people, and disseminated in the environment; and (3) their ability to connect with each other in a network and communicating.
In this perspective, Eurotech creates miniaturised computers for special uses (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 offering differs 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 board (i.e. inserted within a device or a system), often used as a component of OEM products;
- an application-ready subsystem or platform, used as elements of integrated systems;
- a ready-to-use device employed in a greater variety of application settings, often as support for the provision of value-added services.

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

The Group's NanoPC offering is used in many types of applications, 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 in the near future.

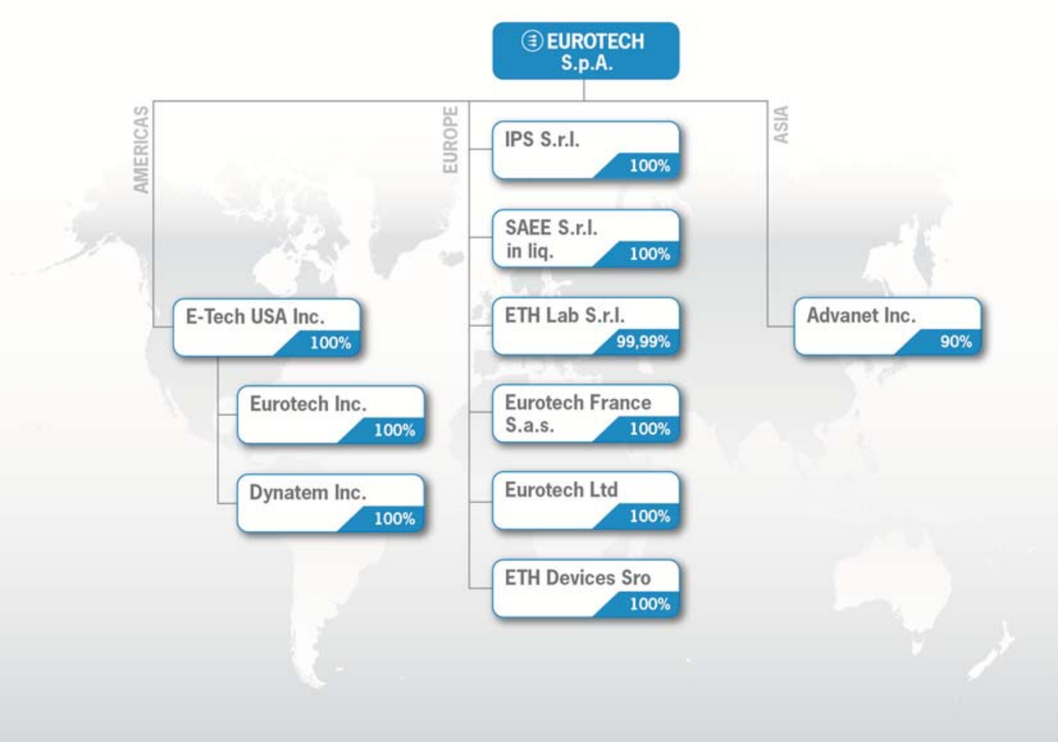
While we continue to improve our traditional NanoPC and HPC offering, we are increasingly tackling the challenge of creating end-to-end solutions to seamlessly interconnect distributed smart objects and transport valuable data from these objects to business applications, leveraging on the Cloud IT infrastructure.
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 is 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 devices and the Cloud, have to be managed.
At Eurotech, we know how to process significant data from applications 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 distributed systems for M2M 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.

At 30 June 2014 the Eurotech Group consisted of the following companies:

Corporate name	Assets	Share capital	Group % ownership
Parent company			
Eurotech S.p.A.	Operates in the NanoPC segment with a primary focus on the Italian market and the HPC market at global level. In organisational terms, it acts as a coordinating holding company at corporate level	Euro 8,878,946	
Subsidiaries and companies consolidated on a line-by-line basis			
Dynatem Inc.	Operates in the North American NanoPC market	USD 1,000	100.00%
ETH Devices S.r.o.	Operates in the eastern European market in the NanoPC segment, chiefly in handheld devices	Euro 10,000	100.00%
Eurotech Inc.	Operates in the North American NanoPC market, with a focus on the industrial, medical and transport sectors	USD 26,500,000	100.00%
Eurotech Ltd.	Operates in the NanoPC segment and is active primarily in the UK	GBP 33,333	100.00%
E-Tech USA Inc.	Holding company that controls 100% of Eurotech Inc. and Dynatem Inc.	USD 8,000,000	100.00%
Eurotech France S.A.S.	Operates in the French NanoPC market	Euro 795,522	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Operates in the NanoPC segment under the IPS brand and also operates in the high-tech security sector under the	Euro 51,480	100.00%

	ETH Security brand		
Saee S.r.l. in liquidation (2)	Active in technological solutions in the field of sensor networks and wireless applications	Euro 15,500	100.00%
EthLab S.r.l.	Handles research and development on the Group's behalf.	Euro 115,000	99.99%
Advanet Inc.	Operates in the Japanese NanoPC market	JPY 72,440,000	90.00% (1)

(1) For consolidation purposes it is regarded as wholly owned, since the company holds the remaining 10% in the form of treasury shares.
(2) Company placed in liquidation as of 9 August 2013.



Operating performance

(€'000)		1H 2014	%	1H 2013	%
OPERATING RESULTS					
SALES REVENUES		31,028	100.0%	28,294	100.0%
GROSS PROFIT MARGIN	(*)	15,149	48.8%	14,325	50.6%
EBITDA	(**)	(1,349)	-4.3%	(2,365)	-8.4%
EBIT	(***)	(3,923)	-12.6%	(5,527)	-19.5%
PROFIT (LOSS) BEFORE TAXES		(4,170)	-13.4%	(4,728)	-16.7%
PROFIT (LOSSES) FROM DISCONTINUED OPERATIONS		0	0.0%	98	0.3%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		(4,667)	-15.0%	(4,560)	-16.1%

(*) 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.

The figures presented herein take in count the sale of the shareholding in the US company Parvus Corp. on 1 October 2013 as explained in paragraph "F - Non-current assets held for sale and discontinued operations" of the 2013 financial statements. In applying the provisions of "IFRS 5 - non-current assets held for sale and discontinued operations", the operating results of the US company at 30.06.2013 were reclassified to the item "Net Profit (Loss) of discontinued operations and assets held for sale" for comparison purposes.

The six months ended 30 June 2014 were characterised, on the one hand, by a recovery in turnover, partly offset by the worse exchange rates of the currencies in which the group's foreign companies operate, and on the other by a number of investments in the various company areas. As a percentage of turnover, operating costs however are still beneath what was recorded in previous years.
The attention paid to costs and to breaking even as soon as possible continues to be one of management's basic objectives.
The goal of the investments being made in the structure and employees is to strengthen the Group's ability to put the new M2M platforms, security and surveillance solutions and green HPCs on the market. Some of these investments are generating the expected results in terms of developing business opportunities and negotiations, and others should generate some visible results in terms of new orders already in the upcoming quarters.

Group revenues in the first half of 2014 totalled €31.03 million, compared to €28.29 million in the first half of 2013. This increase is due to recovery of turnover in the Japanese area, after an irregular scheduling of deliveries compared with historical levels took place last year. The Japanese market holds good growth prospects for Eurotech in consideration of the domestic economy situation and the current exchange rates of the Yen against other currencies. Over the mid-term this should support our customers in that area as they also greatly depend on exports in addition to the domestic market. As for the other geographic areas, while an improvement in orders that will generate turnover in the short term is noted in America, in Europe the uncertain economic conditions is causing poor visibility: opportunities arise intermittently and generate discontinuous turnovers within the group's core business.

This performance is confirmed by the breakdown of turnover generated in the three regions, as described later in this document.

New orders in the first half-year are in line with those of last year, although lower than the initial forecasts. The order book and existing contracts allow us to continue to take a positive view of the year in progress beyond the current situation.

Management believed it unnecessary to significantly review the estimates made at the beginning of the year, even though attention is continuously paid to the performance of operating costs. Management is making targeted and cautious investments, and is also focussing on the Group's organisation in order to maintain its effectiveness with lower costs.
In view of the global situation just described, the Eurotech Group continues to believe in future opportunities and continues to invest in products and in increasing the efficiency of its structures, so that it can be ready, not only in terms of technology but also structurally, to respond to market need for innovation in each geographical region. In order to support the Group's competitiveness, management does not forego investing in the activities in which it catches a glimpse of the future, and is confident that the market will 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 allocation [A] relating to the business combinations of Advanet Inc. and Dynatem Inc., while those arising from Applied Data Systems Inc. (now Eurotech Inc.) were completed on 31 December 2013.
Actual results with and without the effect of purchase price allocation are summarised below:
- rather than -€3.92 million, the EBIT figure would have been -€2.73 million;
- rather than -€4.17 million, the pre-tax result would have been -€2.98 million;
- rather than -€4.67 million, the Group net result would have been -€3.95 million.

Gross profit for the period was slightly lower than expected. At 48.8%, it was in line with the year-end 2013 figure and was 50.6% less than what was realised in the same half-year period of 2013. Slight fluctuations in gross profit were historically seen and are tied to the mix of products sold, which give different margins depending on the type of product, the fields of application and the geographic market in which are sold.

During the period of reference, operating costs before adjustments decreased by 1.5%, equal to €273 thousand, dropping from €17.77 million of the first half of 2013 to €17.49 million of the first half of 2014. This lowering of costs made a positive impact on Group EBITDA.
Due to the revenues trend previously described, gross operating costs as a percentage of revenues decreased from 62.8% in the first half 2013 to 56.4% in the first half 2014, representing an improvement on the first quarter of 2014 (59.3%).
The reduction in costs was also due, as in previous quarters, to measures taken by managers to make the Group's structure more efficient and to lower the activation threshold for operating leverage.
Curbing fixed costs and rationalising existing resources are still a management priority this year, in order to achieve the profit targets set at the beginning of the year.

EBITDA in the periods considered went from -€2.36 million in the first half of 2013 to -€1.35 million in the first half of 2014. EBITDA as a percentage of revenues changed from -8.4% in the first half of 2013 to -4.3% in the first half of 2014. The difference between the two periods is mainly due to higher turnover and lower operating costs.

EBIT came to -€3.92 million in the first half of 2014, compared with -€5.53 million in the first half of 2013. EBIT as a percentage of revenues was -12.6% in the first half, compared with -19.5% in the same period of 2013. This performance reflects the EBITDA performance described above as well as depreciation and amortisation recognised in the income statement in the first six months of 2014. Depreciation and amortisation derive from both operating assets

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[A] In detail, the effects of the recognition in the accounts of purchase price allocation relating to the business combinations of Advanet Inc. and Dynatem Inc. (only 2013 for Applied Data Systems Inc.) can be summarised as follows:
- depreciation, amortisation and write-downs: €1.19 million (€1.62 million at 30 June 2013), equal to the higher amortisation charged to the higher values attributed to intangible assets (particularly customer relationships).
- Lower income taxes: €0.47 million (€0.64 million at 30 June 2013) resulting from the tax effect on adjustments made.

becoming subject to depreciation in the first half and the non-monetary effects arising from price allocation relating to the acquisitions of Dynatem Inc. and Advanet Inc. (also regarding Eurotech Inc. - former Applied Data Systems Inc. for 2013). The effect on EBIT of the higher values attributed as a result of PPA was €1.19 million the first half of 2014, compared with €1.62 million in the first half of 2013.

Financial management during the first six month of 2014 was heavily affected by the trend of the currencies, to generate a loss of €0.30 million, compared with a gain of €0.77 million in the first six months of 2013. Considerably contributing to this negative performance were the exchange differences due to foreign currency trends, as well as the reduced financial charges owing to the performance of the net financial position. Overall, foreign exchange differences had a positive effect on the period of €105 thousand (compared with a positive effect of €1,251 thousand in the first half of 2013), while financial management relating to interest had an effect of €402 thousand (€481 thousand in the first half of 2013).

A pre-tax loss of operating assets of €4.17 million was registered for the first half of 2014 (compared with a loss of €4.73 million in the same period a year previously). This performance was influenced by the factors outlined above. The effect of PPA on the pre-tax result was €1.19 million in the first half of 2014 and €1.62 million in the first half of 2013.

The Group registered a net loss in operating assets of -€4.67 million in the first half of 2014, compared with a net loss of -€4.66 million in the first half of 2013. 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 the first half of 2014 amounted to €0.72 million (first half of 2013: €0.98 million)

Net profit from assets held for sale and discontinued operations has a value only in 2013 and amounted to €98 thousand. The amount relates to the operating results that the US company Parvus Corp. achieved in the half-year period of 2013 before its sale.

The Group net result for the first half of 2014 was affected only by the result of the operating assets, which consequently amounted to -€4.67 million, while the contribution of profit coming from the assets held for sale gave a Group net result of €4.56 million in the first half of 2013.

As indicated in the explanatory notes to the condensed consolidated half-year financial statements (Note D), the Group discloses segment information based on the product sectors in which it develops its activity (NanoPCs and HPCs) and, exclusively for NanoPCs, based on the regions in which the various Group companies operate and are currently monitored. These are defined by the location of goods and operations carried out by individual Group companies. They are: Europe, North America and Asia.

More specifically, below we have broken down the trend in revenues and margins in the individual business areas and the changes occurring in the reporting period.

(€'000)	NanoPC			High Performance Computer			Total		
	1H 2014	1H 2013	%YoY Chg	1H 2014	1H 2013	%YoY Chg	1H 2014	1H 2013	%YoY Chg
Sales and service revenue by segment									
Sales and service revenue by segment	30,392	28,127	8.1%	636	167	280.8%	31,028	28,294	9.7%
Ebitda by segment	(716)	(1,878)	-61.9%	(633)	(487)	-30.0%	(1,349)	(2,365)	-43.0%
Ebit by segment	(3,217)	(4,912)	34.5%	(706)	(615)	-14.8%	(3,923)	(5,527)	29.0%
Total EBIT							(3,923)	(5,527)	29.0%
Net finance income (expense)							(297)	770	138.6%
Shares of associates' profit (loss)	50	29					50	29	72.4%
Profit before tax of continuing operations							(4,170)	(4,728)	11.8%
Income tax							(497)	70	810.0%
Net profit (loss)							(4,667)	(4,658)	-0.2%

The breakdown of the NanoPC business line by region is as follows:

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1H2014	1H2013	%YoY Change	1H2014	1H2013	%YoY Change	1H2014	1H2013	%YoY Change	1H2014	1H2013	%YoY Change	1H2014	1H2013	%YoY Change
Third party Sales	9,036	8,859		10,362	9,078		10,994	10,190		0	0		30,392	28,127	
Infra-sector Sales	167	310		1,204	2,268		78	173		(1,449)	(2,751)		0	0	
Total Sales revenues	9,203	9,169	0.4%	11,566	11,346	1.9%	11,072	10,363	6.8%	(1,449)	(2,751)	47.3%	30,392	28,127	8.1%
Gross profit	3,509	3,587	-2.2%	5,367	4,799	11.8%	6,263	6,398	-2.1%	(113)	(502)	-77.5%	15,026	14,282	5.2%
Gross profit margin - %	38.1%	39.1%		46.4%	42.3%		56.6%	61.7%					49.4%	50.8%	
EBITDA													(716)	(1,878)	-61.9%
EBITDA margin - %													-2.4%	-6.7%	
EBIT													(3,217)	(4,912)	-34.5%
EBIT margin - %													-10.6%	-17.5%	

The North American business area's revenues totalled €9.20 million in the first half of 2014 and to €9.17 million in the first half of 2013, registering substantial stability, and are awaiting existing contracts in the transport sector to become active. The policy of developing turnover towards key customers with substantial orders is fundamental for medium-long-term turnover growth, but the time needed for these orders to become active is longer than initial forecasts.
The European business area as well is showing substantial stability with an increase from €11.35 million in the first half of 2013 to €11.57 million in the first half of 2014, including inter-regional revenues of 1.9%.
The Asian business area registered the greatest growth with an increase of 6.8%, from €10.36 million to €11.07 million. The recovery in turnover towards some customers and the positive prospects of Japan's economy give a rosy outlook for the second half of the year.

In terms of the main business areas, HPC revenues were very limited in the half-year in question, but may become more significant at the end of the year.
The NanoPC line registered an increase in turnover of 8.1% (€30,392 thousand in the first half of 2014, compared with €28,127 thousand in the first half of 2013, as already mentioned).

The breakdown of revenues by type is as follows:

SALES BY TIPE	1H2014	%	1H2013	%
Industrial revenues	29,319	94.5%	26,519	93.7%
Services revenues	1,709	5.5%	1,775	6.3%
TOTALE SALES AND SERVICE REVENUES	31,028	100.0%	28,294	100.0%

Below we show the geographical revenue breakdown based on customer location.

BREAKDOWN BY GEOGRAPHIC AREA	1H 2014	%	1H 2013	%
European Union	5,250	16.9%	6,393	22.6%
United States	13,101	42.2%	9,157	32.4%
Japan	10,888	35.1%	10,155	35.9%
Other	1,789	5.8%	2,589	9.2%
TOTAL SALES AND SERVICE REVENUES	31,028	100.0%	28,294	100.0%

The revenues of the Group’s various companies in the US region increased by 43.1% due to one substantial order that the English company shipped to the US region. The US region contributed 42.2% of total turnover in the first half.
The Japanese area posted a 7.2% increase due to a recovery in turnover compared to the historical levels after the half-year last year was influences by a temporary reduction in the turnover of a local customer.
In Europe, again with reference to customer location, turnover reflected an 18% reduction and affected total turnover by approximately 16.9%. The area is still affected by sluggish demand.

Financial and equity position

Non-current assets

(€'000)	at June 30, 2014	at December 31, 2013	Changes
ASSETS			
Intangible assets	84,830	83,233	1,597
Property, Plant and equipment	3,734	3,518	216
Investments in affiliate companies	662	607	55
Investments in other companies	250	248	2
Deferred tax assets	1,499	1,397	102
Other non current financial assets	0	2,342	(2,342)
Other non-current assets	560	535	25
Total non-current assets	**91,535**	**91,880**	**(345)**

Non-current assets in the above table decreased from €91.88 million in financial year 2013 to €91.53 million in the first half of 2014. The change mainly reflects changes in intangible and tangible assets arising from the different conversion ratio for financial statements in foreign currency, as well as price allocation in the currency of the combined foreign entity and the investments made, as well as to reclassification of financial assets from non-current to current since they become due within the next 12 months.
The reduction of the item Other non-current financial assets is due to reclassification to current financial assets of the residual receivable of USD 3 million from the sale of the US company Parvus Corp and concerning the portion of the price tied to the purchaser's guarantee for 18 months, starting from 1 October 2013, by an escrow deposit.

The Group's main investments were as follows:

(€'000)	at June 30, 2014	at December 31, 2013	at June 30, 2013
Intangible assets	862	1,492	924
Property, plant and equipment	643	306	69
Investments	0	0	43
TOTAL MAIN INVESTMENTS	1,505	1,798	1,036

Current assets

(€'000)	at June 30, 2014	at December 31, 2013	Changes
Inventories	13,693	14,156	(463)
Contracts in progress	361	0	361
Trade receivables	15,977	18,673	(2,696)
Income tax receivables	96	268	(172)
Other current assets	2,392	2,404	(12)
Other current financial assets	2,267	101	2,166
Cash & cash equivalents	16,488	27,995	(11,507)
Total current assets	**51,274**	**63,597**	**(12,323)**

The current assets item decreased, from €63.60 million at 31 December 2013 to €51.27 million in the first half of 2014.

The decrease in cash was mainly due to utilisation to repay portions of loans, and also for current operations.

Working capital

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, 2014 (b)	at December 31, 2013 (a)	Changes (b-a)
Inventories	13,693	14,156	(463)
Contracts in progress	361	0	361
Trade receivables	15,977	18,673	(2,696)
Income tax receivables	96	268	(172)
Other current assets	2,392	2,404	(12)
Current assets	*32,519*	*35,501*	*(2,982)*
Trade payables	(12,090)	(14,677)	2,587
Income tax liabilities	(1,167)	(1,657)	490
Other current liabilities	(6,828)	(7,113)	285
Current liabilities	*(20,085)*	*(23,447)*	*3,362*
Net working capital	**12,434**	**12,054**	**380**

Working capital went slightly up compared to 31 December 2013. The change chiefly reflects the decrease in trade receivables, owing to a higher turnover concentration at year-end compared with the end of the first half. In addition, reduced trade payables, income tax payables and other current liabilities helped to offset the effects on current assets.

Net financial position

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

(€'000)		at June 30, 2014	at December 31, 2013
Cash & cash equivalents	A	(16,488)	(27,995)
Cash equivalent	**B=A**	**(16,488)**	**(27,995)**
Other current financial assets	C	(2,267)	(101)
Derivative instruments	D	100	159
Short-term borrowing	E	6,817	12,319
Other current financial liabilities	F	38	0
Short-term financial position	**G=C+D+E+F**	**4,688**	**12,377**
Short-term net financial position	**H=B+G**	**(11,800)**	**(15,618)**
Other non current financial assets	I	0	(2,342)
Other non current financial liabilities	J	0	118
Medium/long term borrowing	K	1,556	2,729
Medium-/long-term net financial position	**L=I+J+K**	**1,556**	**505**
(NET FINANCIAL POSITION) NET DEBT	**M=G+L**	**(10,244)**	**(15,113)**

The change in cash is due to disbursements for investments made, the repayment of portions of loans and current operations.
Please note that short-term borrowings (in applying the provisions of IAS 1.65) include, as previously done at 31 December 2013, the medium-long-term portion (which at 30 June 2014 amounted to €1.00 million and at 31 December 2013 to €2.00 million) of an existing loan with respect to which all the contractually established terms and conditions had not been observed as early as year-end as a contingent effect of the failure to notify the sale of a substantial asset (Parvus Corp.) in advance. The Parent Company is waiting to receive the waiver letter from the bank in order to be able to restore the loan to the expiry dates set out in the original repayment plan.

Cash flow

(€'000)	at June 30, 2014	at December 31, 2013	at June 30, 2013
Cash flow generated (used) in operations	(2,815)	6,206	2,147
Cash flow generated (used) in investment activities	(2,367)	23,349	683
Cash flow generated (absorbed) by financial assets	(6,675)	(8,315)	(1,995)
Net foreign exchange difference	350	(2,947)	(1,530)
Increases (decreases) in cash & cash equivalents	(11,507)	18,293	(695)
Opening amount in cash & cash equivalents	27,995	9,702	9,702
Cash & cash equivalents at end of period	16,488	27,995	9,007

Investments and research and development activities

At 30 June 2013 technical investments (tangible assets) in equipment and instruments amounted to €404 thousand, while investments in other assets amounted to €228 thousand and those concerning improvements to owned assets amount to €11 thousand.
During the period, the Group worked on research and development and technological innovation relating both to new products and to process improvements.
The research led to the development of new products/applications in the field of high-integration and low-consumption computers and embedded systems, machine-to-machine integration platforms, network appliances and supercomputers.

Technological innovation also led to improved product quality with the aim of reducing production costs and consequently increasing corporate competitiveness. The costs of developing new products were capitalised at €894 thousand in the reporting period (€819 thousand in the first half of 2013).

Competitive scenario, outlook and future growth strategy

Due to the integration and strengthened relations between the Group's various companies, the global positioning of individual subsidiaries, as well as the Group's sound financial position, the outlook for the second half of 2014 is positive, even though market conditions in some sectors and regions remain uncertain. From a financial perspective, in addition to Group cash and equivalents, the ongoing support of banks is still an important factor in riding out the current economic climate and supporting internal growth.
The Group's strategic development will continue, following guidelines similar to those already applied in previous years. The implementation of the strategic plan specifically includes the following actions:

- in NanoPCs, the development and offering of new products/solutions with higher value-added, with a special focus on creating application-ready platforms and ready-to-use products;
- in both NanoPCs and HPCs, a focus on products/solutions increasingly closer to the paradigm of pervasive computing and cloud computing;
- strengthening commercial activities, particularly with regard to indirect sales channels as a complement to direct sales channels;
- greater integration between individual Group companies to achieve greater operating effectiveness, to benefit from the economies of scale achievable, and to consolidate the Eurotech brand image;
- continuous monitoring of opportunities for new acquisitions, to extend the Group's presence into specific markets, and as a catalyst for cross-selling between subsidiaries.

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

The Parent Company Eurotech SpA held 1,319,020 treasury shares at the end of the reporting period. Treasury shares underwent the following changes during the first half of 2014:

	No. of shares	Face value of a share (Thousand of Euro)	% share capital	Carrying value (€'000)	Average unit value
Status as at 1 January 2014	871,020	218	2.45%	2,132	2.45
Purchases	448,000	112	1.26%	966	2.16
Status as at 30 June 2014	1,319,020	330	3.71%	3,097	2.35

Disclosure of sovereign debt exposure

Pursuant to Consob Communication DEM/11070007 of 5 August 2011 (itself based on ESMA document 2011/266 of 28 July 2011) relating to the disclosure in financial reports of the exposure of listed companies to sovereign debt, note that the Group does not hold sovereign debt securities.

Process of simplifying the regulations 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 Articles 70, paragraph 8, and 71, paragraph 1-bis of the Regulations adopted by Consob with its resolution no. 11971 of 14 May 1999 as amended and supplemented, therefore benefiting from the right to derogate from the obligations to disclose information documents provided for by Annex 3B of the aforesaid Consob Regulations at the time of significant transactions concerning mergers, spin-offs, increases in capital by way of contributions in kind, purchases and sales.

Events after the reporting period

No significant events took place after the end of the half-year period.

Condensed consolidated half-year financial statements at 30 June 2014

Consolidated statement of financial position

BALANCE SHEET (€'000)	Notes	at June 30, 2014	at December 31, 2013
ASSETS			
Intangible assets	1	84,830	83,233
Property, Plant and equipment	2	3,734	3,518
Investments in affiliate companies	3	662	607
Investments in other companies	3	250	248
Deferred tax assets	27	1,499	1,397
Other non current financial assets		0	2,342
Other non-current assets		560	535
Total non-current assets		**91,535**	**91,880**
Inventories	4	13,693	14,156
Contracts in progress	5	361	0
Trade receivables	6	15,977	18,673
Income tax receivables	7	96	268
Other current assets	8	2,392	2,404
Other current financial assets	9	2,267	101
Cash & cash equivalents	10	16,488	27,995
Total current assets		**51,274**	**63,597**
Total assets		**142,809**	**155,477**
LIABILITIES AND EQUITY			
Share capital		8,879	8,879
Share premium reserve		136,400	136,400
Other reserves		(39,519)	(37,180)
Group shareholders' equity	12	**105,760**	**108,099**
Equity attributable to minority interest	12	**0**	**0**
Total shareholders' equity	12	**105,760**	**108,099**
Medium-/long-term borrowing	14	1,556	2,729
Employee benefit obligations	15	1,806	1,699
Deferred tax liabilities	27	5,809	6,023
Other non current financial liabilities		0	118
Other non-current liabilities	16	838	884
Total non-current liabilities		**10,009**	**11,453**
Trade payables	17	12,090	14,677
Short-term borrowing	14	6,817	12,319
Derivative instruments	30	100	159
Income tax liabilities	7	1,167	1,657
Other current liabilities	18	6,828	7,113
Other current financial liabilities		38	0
Total current liabilities		**27,040**	**35,925**
Total liabilities		**37,049**	**47,378**
Total liabilities and equity		**142,809**	**155,477**

Consolidated income statement

INCOME STATEMENT (€'000)	Note	1H 2014	1H 2013
CONTINUING OPERATIONS			
Revenues from sales of products and services	D	31,028	28,294
Other revenues	24	102	258
Cost of materials	19	(15,879)	(13,969)
Service costs	21	(6,638)	(6,120)
Lease & hire costs		(826)	(861)
Payroll costs	22	(9,442)	(9,684)
Other provisions and other costs		(588)	(1,102)
current assets	23	894	819
Depreciation & amortisation	25	(2,574)	(3,162)
Operating profit		**(3,923)**	**(5,527)**
Share of associates' profit of equity	3	50	29
Finance expense	26	(904)	(1,031)
Finance income	26	607	1,801
Profit before taxes		**(4,170)**	**(4,728)**
Income tax	26	(497)	70
Net profit (loss) of continuing operations before minority interest		**(4,667)**	**(4,658)**
Minority interest		**0**	**0**
DISCONTINUED OPERATIONS			
Profit (Losses) from discontinued operations		**0**	**98**
Group net profit (loss) for period		**(4,667)**	**(4,560)**
Base earnings (losses) per share	13	**(0.136)**	**(0.130)**
Diluted earnings (losses) per share	13	**(0.136)**	**(0.130)**

Consolidated statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME (€'000)	Note	1H 2014	1H 2013
Net profit (loss) before minority inerest (A)		**(4,667)**	**(4,560)**
Other elements of the statement of comprehensive income			
Net profit (loss) from Cash Flow Hedge		59	114
Tax effect		-	-
		59	*114*
Foreign balance sheets conversion difference		*3,045*	*(10,565)*
Exchange differences on equity method		-	-
Exchange differences on equity investments in foreign companies		189	176
Tax effect		-	-
		189	*176*
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)		*3,293*	*(10,275)*
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on defined benefit plans		0	2
Tax effect		-	(1)
		-	1
After taxes net other comprehensive income not being reclassified to profit orloss in subsequent periods (C)		*0*	*1*
Comprehensive net result (A+B)		**(1,374)**	**(14,834)**
Comprehensive minority interest		**-**	**-**
period		**(1,374)**	**(14,834)**

Statement of changes in shareholders' 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, 2012 Restated^	8,879	39	136,400	22,793	(42,949)	(344)	(208)	(523)	(1,340)	(2,783)	119,964	-	119,964
2012 Result allocation	-	-	-	-	(2,783)	-	-	-	-	2,783	-	-	-
Profit (loss) as at June 30, 2013	-	-	-	-	-	-	-	-	-	(4,560)	(4,560)	-	(4,560)
Comprehensive other profit (loss)													
- Hedge transactions	-	-	-	-	-	114	-	-	-	-	114	-	114
- Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	(10)	-	-	-	(10)	-	(10)
- Foreign balance sheets conversion difference	-	-	-	(10,565)				-	-	-	(10,565)	-	(10,565)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	176	-	-	176	-	176
Comprehensive result	-	-	-	*(10,565)*	-	*114*	*(10)*	*176*	-	*(4,560)*	*(14,845)*	-	*(14,845)*
Balance as at June 30, 2013	8,879	39	136,400	12,228	(45,732)	(230)	(218)	(347)	(1,340)	(4,560)	105,119	-	105,119

(€'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, 2013	8,879	39	136,400	4,196	(45,711)	(159)	(254)	(1,399)	(2,132)	8,240	108,099	-	108,099
2013 Result allocation	-	998	-	-	7,242	-	-	-	-	(8,240)	-	-	-
Profit (loss) as at June 30, 2014	-	-	-	-	-	-	-	-	-	(4,667)	(4,667)	-	(4,667)
(loss)													
- Hedge transactions	-	-	-	-		59	-	-	-	-	59	-	59
- Foreign balance sheets conversion difference	-	-	-	3,045	-			-	-	-	3,045	-	3,045
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	189	-	-	189	-	189
Comprehensive result	-	-	-	*3,045*	-	*59*	-	*189*	-	*(4,667)*	*(1,374)*	-	*(1,374)*
- Other changes and transfers					-	-			(965)		(965)		(965)
Balance as at June 30, 2014	8,879	1,037	136,400	7,241	(38,469)	(100)	(254)	(1,210)	(3,097)	(4,667)	105,760	-	105,760

Cash Flow Statement

CONSOLIDATED CASH FLOW STATEMENT (€'000)	at June 30, 2014	at June 30, 2013
CASH FLOWS GENERATED BY OPERATIONS:		
Group net profit	**(4,667)**	**(4,658)**
Profit (Losses) from discontinued operations	**0**	**98**
Net profit (loss) of continuing operations before minority interest	**(4,667)**	**(4,560)**
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:		
Depreciation & amortization intangible assets, property, plant and equipment	2,574	3,162
Write-down of receivables	97	739
Interest income	(37)	(8)
Share of net profit of associate and non-consolidated subsidiaries	(50)	(29)
Cost for bringing up-to-date	123	0
Provision for (use of) long-term employee severance indemnities	107	(51)
Provision for (use of) risk provision	(46)	15
(Provision for) / use of deferred tax asset / Provision for (use of) deferred tax liability	(316)	(1,502)
Changes in current assets and liabilities		
Trade receivables	2,476	6,932
Other current assets	184	225
Inventories and contracts in process	102	978
Trade payables	(2,587)	(928)
Other current liabilities	(775)	(1,730)
Cash flow generated (used) in operations by Discontinued Operations	0	(1,096)
Total adjustments and changes	**1,852**	**6,707**
Cash flow generated (used) in operations	**(2,815)**	**2,147**
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Sales of tangible and intangible assets	2	1
Interest income	37	8
Purchase of intangible fixed assets	(862)	(924)
Purchase of tangible fixed assets	(643)	(69)
Financial flow from discontinued operations	0	1,808
Purchase of own shares	(965)	
Decreases (Increases) other financial assets	96	0
Net investments in long-term investments and non-current assets	(32)	72
Cash flow generated (used) in investment activities by Discontinued Operations	0	(213)
Cash flow generated (used) in investment activities	**(2,367)**	**683**

CONSOLIDATED CASH FLOW STATEMENT (€'000)	at June 30, 2014	at June 30, 2013
CASH FLOW FROM FINANCING ACTIVITIES:		
Loans taken	0	1,200
Increases (decreases) short term loan	(5,502)	453
Repaid loans medium/long term	(1,173)	(4,192)
Cash flow generated (used) in financial activities by Discontinued Operations	0	544
Cash flow generated (absorbed) by financial assets	**(6,675)**	**(1,995)**
Net foreign exchange difference	350	(1,530)
Increases (decreases) in cash & cash equivalents	**(11,507)**	**(695)**
Opening amount in cash & cash equivalents	**27,995**	**9,702**
Cash & cash equivalents at end of period	**16,488**	**9,007**
Interest paid	**323**	**495**
Income taxes paid (get)	**1,606**	**1,860**

Explanatory notes to financial statements

A – Corporate information

The publication of the condensed consolidated half-year financial statements of Eurotech SpA for the six months to 30 June 2014 was authorised by resolution of the Board of Directors on 29 August 2014. Eurotech SpA is a joint stock company incorporated and domiciled in Italy. The Group has its registered office in Amaro (UD), Italy.
Eurotech is a group active in the research, development, and marketing of miniaturised computers (NanoPCs) and highly energy efficient supercomputers with high computing capacity (HPCs). For further information, see Note D.

B – Reporting policies and IFRS compliance

The annual consolidated financial statements for the Eurotech Group are prepared in compliance with the international financial reporting standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission as per the procedure indicated in Article 6 of the EC Regulation no. 1606/2002 of the European Parliament and European Council dated 19 July 2002.
These condensed consolidated half-year financial statements for the six months ended 30 June 2014 were prepared in accordance with IAS 34 - Interim Financial Reporting and Article 154-ter of the TUF. These condensed consolidated half-year financial statements do not include all the information required to prepare consolidated annual financial statements. Consequently, this report should be read in conjunction with the consolidated annual financial report for the year ended on 31 December 2013.
Preparation of interim financial statements requires top management to make estimates and assumptions that affect the amounts of reported revenues, costs, assets and liabilities and disclosure concerning contingent assets and liabilities as at the interim reporting date. If in future these estimates and assumptions, which are based on management's best possible evaluation, were to differ from actual circumstances, they would be amended accordingly in the period when such circumstances materialised. For a fuller description of the Group's most important evaluation processes, see Section C – "Discretionary evaluations and relevant accounting estimates" – of the consolidated financial statements at 31 December 2013.
We also point out that some evaluation processes – in particular the more complex ones such as calculation of any impairment of non-current assets – are generally performed in full only when annual financial statements are drawn up, i.e. when all and any information required is available. The exceptions to this are cases when impairment indicators exist such as to require immediate testing for any impairment.
Income taxes are recognised according to the best estimate of the weighted average tax rate expected for the full financial year.
The main accounting standards adopted to prepare the condensed consolidated half-year financial statements were the same as those used to prepare the consolidated financial statements at 31 December 2013, except for the adoption of the new standards, amendments and interpretations in force at 1 January 2014.

The type and impact of each new standard/amendment are listed below:

IFRS 10 Consolidated financial statements - IFRS 10 introduces a single control model that is applied to all companies, including special purpose entities. IFRS 10 replaces the part of IAS 27 Consolidated and separate financial statements regulating the recognition of the consolidated financial statements and SIC-12 Consolidation - special purpose vehicles. IFRS 10 changes the definition of control by establishing that an investor controls an entity that is the purpose of an investment when he is exposed, or is entitled, to variable yields deriving from his relationship with it and at the same time is able to have an effect on these incomes by exerting his power on these entities. An investor controls an entity that is the purpose of an investment if, and only if, he simultaneously has: (a) influence over the entity that is the purpose of an investment; (b) exposure, or rights, to variable yields deriving from the relationship with the entity that is the purpose of an investment; and (c) the ability to exert influence over the entity that is the purpose of an investment to have an effect on the amount of its yields. IFRS 10 had no impact on the consolidation of the interests held by the Group.

Investment entities - Amendments to IFRS 10, IFRS 12 and IAS 27 - These amendments provide for an exception to consolidation for the entities that fall under the definition of investment entities pursuant to IFRS 10 - Consolidated Financial Statements. This exception to consolidation requires that the investment entities assess the subsidiaries at the fair value recognised to the income statement. These amendments had no impact on the Group since none of the entities belonging to the Group qualify as investment entities pursuant to IFRS 10.

IAS 32 Offsetting financial assets and liabilities - These amendments clarify the meaning of "generally having a legal right to offset" and the offsetting criterion in the case of regulation systems (such as the centralised clearing houses) that apply non-simultaneous gross regulation mechanisms. These amendments had no impact on the Group's financial statements.

IAS 39 – Concepts of derivatives and continued hedge accounting - These amendments allow hedge accounting to continue when the novation of a hedging derivative meets certain criteria. These amendments had no impact since the Group did not replace its derivatives either during the financial year in progress nor in previous years.

IAS 36 – Additional information on the recoverable value of non-financial assets - These amendments remove the consequences inadvertently introduced by IFRS 13 on information required by IAS 36. These amendments also require information on the recoverable amount of the assets or CGUs for which an impairment loss has been recorded or "transferred". The amendment had no impact on the Group’s financial position, results or disclosure.

IRFIC 21 Levies - IFRIC 21 is in force for the years that begin on 1 January 2014 or afterwards, and is applied retrospectively. It applies to all payments imposed by law by the Government other than those already covered in other standards(for example: IAS 12 *income taxes*) and by those for fines or other penalties for infringement of the law. The interpretation clarifies that an entity recognises a liability not before when the event to which payment is tied occurs, in agreement with the applicable law. The interpretation also clarifies that the liability gradually becomes payable only if the event to which the payment is tied occurs along a space of time allowed by law.
For the payments that are due only when a given minimum threshold is passed, the liability is recorded only when that threshold is reached. The interpretation requires that these standards also be applied to interim financial statements. The amendment had no impact on the Group’s financial position, results or disclosure.

The Group has not adopted in advance any new principles, interpretations or amendments which have been issued but are not yet effective.

The condensed consolidated half-year financial statements are drawn up in euro, rounding amounts to the nearest thousand. They consist of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders’ equity, the cash flow statement, and the following explanatory notes.

The data used for consolidation have been taken from the income statements and balance sheets 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.

Comparability
In implementation of the contract of sale signed on 30 September 2013, the sale of the US subsidiary Parvus Corp. on 1 October 2013 required restating the operating results of the US company Parvus Corp. to the results of discontinued operations "Net profit (loss) from assets held for sale and discontinued operations " at 30.06.2013 in application of IFRS 5.

C – Scope of consolidation

The condensed consolidated half-year financial statements include the half-year financial statements of the Parent Company, Eurotech SpA, and of the Italian and foreign subsidiaries over which Eurotech has the right to exercise control, directly or indirectly (through subsidiaries and associates), determining their financial and operating decisions, and the right to obtain related benefits.
Subsidiaries are consolidated starting on the date when control was effectively transferred to the Group and cease to be consolidated as from the date when control is transferred outside the Group

The companies included in the basis of consolidation on a line-by-line basis at 30 June 2014 are as follows:

Corporate name	Registered offices:	Share capital		Group % ownership
Parent company				
Eurotech S.p.A.	Via Fratelli Solari, 3/A – Amaro (UD)	Euro	8,878,946	
Subsidiary companies consolidated line-by-line				
Dynatem Inc.	Mission Viejo (USA)	USD	1,000	100.00%
ETH Devices S.r.o.	Bratislava (Slovakia)	Euro	10,000	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 Cedex (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%
Saee S.r.l. in liquidation	Via Fratelli Solari, 3/A - Amaro (UD)	Euro	15,500	100.00%
EthLab S.r.l.	Via Dante, 300 – Pergine Valsugana (TN)	Euro	115,000	99.99%
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.

Corporate name	Registered offices:	Group % ownership
Subsidiaries valued at equity		
Chengdu Vantron Technology Inc.	Chengdu (China)	45.00%
Delos S.r.l. in liquidation	Via Roberto Cozzi 53 – Milan	40.00%
eVS embedded Vision Systems S.r.l.	Ca' Vignal2, Strada Le Grazie 15 – Verona	24.00%
Emilab S.r.l.	Via F.lli Solari 3/A – Amaro (UD)	24.82%
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	Salt Lake City (USA)	19.00%

No changes took place with regard to subsidiaries subsidiaries compared with 31 December 2013.

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 6 Months 2014	As of June 30, 2014	Average 2013	As of December 31, 2013	Average 6 Months 2013	As of June 30, 2013
British pound sterling	0.82134	0.80150	0.84926	0.83370	0.85083	0.85720
Japanese Yen	140.40280	138.44000	129.66267	144.72000	125.45912	129.39000
USA Dollar	1.37035	1.36580	1.32812	1.37910	1.31337	1.30800

D – Segment reporting

For management purposes, the Group is organised into business segments: the NanoPC and HPC (high performance computers) segments are the largest of these. Given the HPC segment's current low contribution to total Group turnover, detailed information is provided solely for the NanoPC segment, broken down geographically in relation to the various Group entities currently monitored by senior management. There are no significant transactions between the business segments.
The Group's geographical areas in the NanoPC segment are defined according to the location of Group assets and operations. They are: Europe, North America and Asia.
Management monitors the EBIT of the individual business units separately for the purposes of resources allocation and performance assessment.

Business sectors

The following table shows data on revenues and Group results for the half-years to 30 June 2014 and 30 June 2013 respectively.

(€'000)	NanoPC			High Performance Computer			Total		
	1H2014	1H2013	%YoY Chg	1H2014	1H2013	%YoY Chg	1H2014	1H2013	%YoY Chg
Sales and service revenue by segment									
Sales and service revenue by segment	30,392	28,127	8.1%	636	167	280.8%	31,028	28,294	9.7%
Ebitda by segment	(716)	(1,878)	-61.9%	(633)	(487)	-30.0%	(1,349)	(2,365)	-43.0%
Ebit by segment	(3,217)	(4,912)	34.5%	(706)	(615)	-14.8%	(3,923)	(5,527)	29.0%
Total EBIT							(3,923)	(5,527)	29.0%
Net finance income (expense)							(297)	770	138.6%
Shares of associates' profit (loss)	50	29					50	29	72.4%
Profit before tax of continuing operations							(4,170)	(4,728)	11.8%
Income tax							(497)	70	810.0%
Net profit (loss)							(4,667)	(4,658)	-0.2%

The breakdown of revenues for the NanoPC segment is as follows:

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1H2014	1H2013	%YoY Change	1H2014	1H2013	%YoY Change	1H2014	1H2013	%YoY Change	1H2014	1H2013	%YoY Change	1H2014	1H2013	%YoY Change
Third party Sales	9,036	8,859		10,362	9,078		10,994	10,190		0	0		30,392	28,127	
Infra-sector Sales	167	310		1,204	2,268		78	173		(1,449)	(2,751)		0	0	
Total Sales revenues	9,203	9,169	0.4%	11,566	11,346	19%	11,072	10,363	6.8%	(1,449)	(2,751)	47.3%	30,392	28,127	8.1%

The table below shows assets and investments in the Group's individual business segments at 30 June 2014 and 31 December 2013.

(€'000)	NanoPC		High Performance Computer		Total	
	1H 2014	FY 2013	1H 2014	FY 2013	1H 2014	FY 2013
Assets and liabilites						
Segment assets	139,097	151,779	2,733	2,634	141,830	154,413
Investments in subsidiaries non consolidated, associate & other companies	912	855	0	0	912	855
Unallocated assets					67	209
Total assets	**140,009**	**152,634**	**2,733**	**2,634**	**142,809**	**155,477**
Segment liabilities	34,098	45,850	2,951	1,528	37,049	47,378
Unallocated liabiities					0	0
Total liabilities	**34,098**	**45,850**	**2,951**	**1,528**	**37,049**	**47,378**
Other segment information						
Investments in tangible assets	520	306	123	0	643	306
Investments in intangible assets	714	1,490	148	2	862	1,492
Depreciation & amortisation	2,501	12,017	73	359	2,574	12,376

Segment assets at 30 June 2014 do not include deferred tax assets of the Parent Company (€0.1 million).

Assets and investments in the NanoPC segment by region are shown in the table below:

(€' 000)	North America		Europe		Asia		Correction, reversal and elimination		Total	
	1H 2014	31.12.2013	1H 2014	31.12.2013	1H 2014	31.12.2013	1H 2014	31.12.2013	1H 2014	31.12.2013
Activities by sector	34,746	37,755	63,447	69,686	73,043	73,706	(32,139)	(29,368)	139,097	151,779
Investments	494	947	309	566	431	283	0	0	1,234	1,796

E – Breakdown of main balance sheet items

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	10,459	68,692	24,222	1,851	29,835	135,059
Previous years' impairment	(796)	(5,977)	(11,012)	(49)	(571)	(18,405)
Previous years' amortisation	(7,448)	-	(5,217)	-	(20,756)	(33,421)
OPENING BALANCE	2,215	62,715	7,993	1,802	8,508	83,233
Purchases	70	-	53	739	-	862
Disposals	-	-	(1)	-	-	(1)
Other changes	(1,625)	2,183	(3,557)	14	(2,662)	(5,647)
Transfers	957	-	-	(957)	-	-
Amortisation in period	(641)	-	(279)	-	(1,190)	(2,110)
Reversal of cumulative amortisation	-	-	1	-	-	1
Other changes in cumulative impairment	-	(52)	3,471	-	571	3,990
Other changes in cumulative amortisation	1,636	-	428	-	2,438	4,502
TOTAL CHANGES	397	2,131	116	(204)	(843)	1,597
Purchase or production costs	9,861	70,875	20,717	1,647	27,173	130,273
Impairment	(796)	(6,029)	(7,541)	(49)	-	(14,415)
Cumulative amortisation	(6,453)	-	(5,067)	-	(19,508)	(31,028)
CLOSING BALANCE	2,612	64,846	8,109	1,598	7,665	84,830

The increase of €1.60 million is attributable to a combination of new investments totalling €0.86 million, a foreign exchange effect of €2.85 million and amortisation of €2.11 million registered in the first half-year. The total value increased from €83.23 million last year to €84.83 million in the first half of 2014.

Investments made in the first six months of the year mainly relate to Group plans to develop new products, both on the new M2M technologies and on low-energy consumption products.

Other changes, other changes cumulative write-downs and other changes cumulative amortisation refer to exchange rate differences accrued on the initial balances of values expressed in foreign currency, and specifically to goodwill and other intangible assets, in addition to the cancellation of values totally amortised at the end of the previous year. Other intangible assets includes the value of customer relationships defined at the time of purchase price allocation and with a surplus to amortise in future years in connection with Advanet Inc. and Dynatem Inc.

Goodwill refers to the higher value paid, when fully consolidated subsidiaries were acquired, in excess of the fair value of the assets and liabilities acquired. As of 1 January 2004, goodwill is no longer been amortised and is tested at least annually for impairment .

For the purposes of annual impairment testing, the individual goodwill items and assets with indefinite and definite useful life recorded, purchased through business combinations, were allocated to the respective cash generating units (CGUs) corresponding to the legal entity or group of companies to which reference is made to test for impairment.

The carrying value of goodwill and trademarks with an indefinite useful life allocated to each of the CGUs is shown below:

Cash generating units	at June 30, 2014		at December 31, 2013	
	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Inc.	40,282	7,649	38,535	7,317
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	17,974	-	17,801	-
Eurotech Ltd. (ex Arcom Ltd.)	5,449	-	5,238	-
Eurotech France S.a.s.	1,051	-	1,051	-
Other	90	-	90	-
TOTAL	64,846	7,649	62,715	7,317

The change in the carrying values of Advanet Inc., Eurotech Inc. and Eurotech Ltd. is due to the fact that the amounts concerned are expressed in the foreign operations' functional currency and consequently converted at each balance sheet date using the exchange rate in force at that date.

To check for any impairment of goodwill or other intangible assets with a definite useful life, at 30 June 2014 the Group again critically analysed the calculation processes used at 31 December 2013, which had also been made with the support of independent experts.

The reported data for the first half of 2014 were compared with the final forecasts for the current year and with the figures for the original 2014 budget used at December 2013. For the various CGUs, a new impairment test as at 30 June 2014 was not considered necessary since even with a prudent revised future cash flow forecasts for 2014 no loss indicators were identified that could jeopardize the valuation of the recoverability, based on value in use, of the goodwill and trademarks with an indefinite useful life for each CGU that was carried out using the impairment test at 31 December 2013. The directors therefore confirmed the valuations made at the time of the 2013 annual financial statements.
Management will continue to carry out monthly analyses of the CGU's performance, especially in view of the concentration in turnover in the final quarter of the year, and, if further signs of significant impairment come to light in the second half of the year, will carry out the necessary valuations as required by the applicable accounting standards.

Generally speaking, the directors also assumed in their assessments (as they did at 31 December 2013) that, although some external and internal indicators (particularly Eurotech's stock market performance and the Group's operating result, which was not positive) might signal net asset impairment, there was no need for any write-downs. They believe that the market trend reflects the international economic situation. In terms of the internal indicators, the Group's total operating result reflects a performance that was partly forecast for the first half of 2014, which (as happened last year) is expected to become positive in the second half. It also combines the operating results of the individual entities, which does not allow for a complete and exhaustive reading of the reported data of the individual CGUs to which the goodwill and assets with an indefinite useful life are allocated. Future developments at the Eurotech group and expectations for the coming years based on existing orders, stakeholder relations and products currently in the portfolio, as well as products developed, particularly in recent years, are regarded by the Directors as important factors in support of their decision not to change the values posted.

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	LEASED ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
Purchse of production cost	1,633	5,984	3,982	4,741	36	232	16,608
Previous year's depreciation	(376)	(5,209)	(3,729)	(3,702)	-	(74)	(13,090)
OPENING BALANCE	**1,257**	**775**	**253**	**1,039**	**36**	**158**	**3,518**
Purchases	11	98	135	228	171	-	643
Disposals	-	-	-	(23)	-	-	(23)
Other changes	-	195	60	97	(4)	8	356
Transfers	-	26	-	20	(7)	(39)	-
Depreciation in period	(18)	(178)	(73)	(175)	-	(20)	(464)
Reversal of cumulative depreciation	-	-	-	21	-	-	21
Transfers amortisation	-	(6)	-	(7)	-	13	-
Other changes in cumulative amortisation	-	(177)	(53)	(84)	-	(3)	(317)
TOTAL CHANGES	**(7)**	**(42)**	**69**	**77**	**160**	**(41)**	**216**
Purchase or production cost	1,644	6,303	4,177	5,063	196	201	17,584
Cumulative depreciation	(394)	(5,570)	(3,855)	(3,947)	-	(84)	(13,850)
CLOSING BALANCE	**1,250**	**733**	**322**	**1,116**	**196**	**117**	**3,734**

The other changes item, which refers both to cost and to the related cumulative depreciation, concerns the different exchange rates at which foreign entities' values were converted at 30 June 2014 compared with those applied at 31 December 2013.
Purchases made in the half-year related mainly to computers, office equipment and industrial equipment.
Fixed assets under lease refers, for €117 thousand, to assets subject to lease agreements, which are booked using the financial method and relate mainly to a machine purchased in previous years from the Japanese subsidiary Advanet.

3 – Investments in affiliates and other companies

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

	at June 30, 2014						
(€'000)	INITIAL VALUE	INCREASES	DECREASES	WRITE-UPS /WRITE-DOWN	OTHER	EOP VALUE	%OWNERSHIP
Investments in associate companies:							
Chengdu Vantron Technology Inc.	494	-	-	49	5	548	45.00%
Delos S.r.l. in liquidazione	7	-	-	-	-	7	40.00%
Emilab S.r.l.	97	-	-	1	-	98	24.82%
eVS embedded Vision Systems S.r.l.	9	-	-	-	-	9	24.00%
Rotowy Technologies S.p.A. (ex U.T.R.I. S.p.A.)	-	-	-	-	-	-	21.32%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	607	-	-	50	5	662	
Investments in other companies:							
Cosint	3	-	-	-	-	3	
ALC Consortium	3	-	-	-		3	
Consorzio Ecor' IT	2	-	-	-	-	2	
Consorzio Aeneas	5	-	-	-	-	5	
Inasset S.r.l.	44	-	-	-	-	44	2.90%
Kairos Autonomi	190	-	-	-	2	192	19.00%
Others	1	-	-	-	-	1	
TOTAL INVESTMENTS IN OTHER COMPANIES	248	-	-	-	2	250	

The write-ups/write-downs item relates to application of the equity accounting method to investments in affiliates.

Other changes relate to the difference in the exchange rate used to convert the values of the equity investments at 30 June 2014 compared with the rate applied at 31 December 2013.

Eurotech owns the following equity investments in affiliates to which the equity accounting method is applied:

- Chengdu Vantron Technology = 45%, following the purchase of shares in 2007, a sale of shares in December 2009, 2010 and 2011 and another purchase in 2013;
- Delos Srl = 40%, created during the first half of 2005 and placed in liquidation in July 2010;
- Emilab Srl = 24.82%, created in 1998;
- eVS embedded Vision Systems Srl = 24%, created in the first half of 2007 and a spin-off from the University of Verona;
- Rotowi Technologies S.p.A. in liquidation (formerly U.T.R.I. S.p.A.) = 21.32%, following a capital increase and the purchase of shares in 2007 and 2008.

4 - Inventories

The following table shows the inventory breakdown at the end of the periods under review:

(€'000)	at June 30, 2014	at December 31, 2013
Raw & auxiliary materials and consumables - gross	6,678	6,412
Inventory write-down provision	(1,221)	(1,009)
Raw & auxiliary materials and consumables - net	**5,457**	**5,403**
Work in process and semi-finished goods - gross	3,675	3,597
Inventory write-down provision	(1,171)	(240)
Work in process and semi-finished goods	**2,504**	**3,357**
Finished poducts and goods for resale - gross	7,508	6,973
Inventory write-down provision	(1,836)	(1,751)
Finished products and goods for resale - net	**5,672**	**5,222**
Advances	**60**	**174**
TOTAL INVENTORIES	13,693	14,156

Inventories at 30 June 2014 amounted to €13.69 million, net of inventory write-down provisions totalling €4.23 million. The value of inventories was lower than that at year-end 2013, mainly because of reduced semi-finished products.

The following table shows the changes in inventory impairment in the periods under review:

CHANGES IN CUMULATIVE INVENTORY WRITE-DOWN PROVISION - € '000	at June 30, 2014	at December 31, 2013
OPENING BALANCE	**3,000**	**2,585**
Provisions	302	1,381
Other changes	1,018	(380)
Discontined operations	0	(240)
Utilisation	(92)	(346)
CLOSING BALANCE	4,228	3,000

Not only does Other changes represent the change in the amounts stated in the foreign operations' functional currency and consequently converted at each balance sheet date using the exchange rate in force at that date, but also include a reclassification of inventory write-down provision of a subsidiary previously recorded as directly reducing the inventories in order to better represent the amount of the inventory write-down provisions.

5 – Work in progress

The following table shows information relating to work in progress at the reporting date:

(€'000)	at June 30, 2014	at December 31, 2013
Contract revenues recognised as revenue in the period	361	0
Contract costs bome as at balance-sheet date	319	0
Profits recognised as at balance-sheet date	42	-
Dow n payments received	0	0
Gross amount ow ed by customer for contractual w ork	361	0
Contract costs and proits recognised as at balance-sheet date	361	0
Revenues recognised in previous periods	0	4,377
Billing based on completion status	0	4,377
Gross amount owed by customer for contractual work	361	-
Gross amount owed to customer for contractual work	-	-

6 – Trade receivables

The schedule below shows the breakdown of trade receivables and the respective adjustment reserves at 30 June 2014 and 31 December 2013:

(€'000)	at June 30, 2014	at December 31, 2013
Trade receivables - customers	17,703	20,336
Trade receivables - affiliate companies	0	17
Doubtful debt provision	(1,726)	(1,680)
TOTAL TRADE RECEIVABLES	15,977	18,673

Note that, at the reporting date, the Group did not present significant concentrations of credit risk. It is believed that these receivables are collectable within one year. Trade receivables are non-interest bearing and generally fall due within 90-120 days.

Trade receivables, including the relative doubtful debt provision, decreased by €2.70 million compared with 31 December 2013. The decrease was mainly due to regular as-due payment of trade receivables, as well as to the different distribution of turnover in the half-year compared with the usual situation in the final months of the year.
The receivables include €0.4 million in bank receipts presented subject to collection, but not yet due at the end of the period.

No transactions to sell receivables have been entered into during 2014.

Receivables are shown after a doubtful debt provision of €1.73 million.

CHANGES IN CUMULATIVE DOUBTFUL DEBT PROVISION - € '000	at June 30, 2014	at December 31, 2013
OPENING BALANCE	**1,680**	**1,751**
Provisioning	97	740
Other changes	13	(85)
Discontined operations	0	(109)
Utilisation	(64)	(617)
CLOSING BALANCE	1,726	1,680

The net increase in the period was €46 thousand, due to the combined effect of €97 thousand in allocations in the period to adjust, individually, the amounts of the receivables to their presumed realisable value, and the difference for the different exchange rate used, as well as the use of the provision for €64 thousand, since the conditions for deducting the allocation made were met.
Group policy is to specifically identify the individual receivables to be written down, and the allocations made therefore reflect a specific write-down.

7 – Tax receivables and payables

Receivables for income taxes represent receivables from individual governments for direct taxation (IRES and income taxes in various countries) which should be recovered within the next year, as well as receivables for withholdings made on dividends paid out to the Parent Company.

Income tax payables are made up of current taxes relating to the period yet to be liquidated, and represent the amounts that the individual 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 €1,070 thousand (2013: €1,397 thousand), while Italian tax payables amounted to €97 thousand (2013: €260 thousand).

8 – Other current assets

The schedule below shows the composition of other current assets at 31 December 2014 and at 31 December 2013:

(€'000)	at June 30, 2014	at December 31, 2013
Amounts receivable for grants	1	468
Advance payments to suppliers	238	218
Tax receivables	844	584
Other receivables	436	117
Accrued income and prepaid expenses	873	1,017
TOTAL OTHER CURRENT ASSETS	2,392	2,404

Tax receivables mainly consist of receivables for indirect (VAT) taxation. VAT receivables do not bear interest and are generally settled with the competent tax authority on a monthly basis.
Prepaid expenses relate to costs borne in advance for bank charges, maintenance fees, utilities, services and insurance.

9 – Current financial assets

Other current financial assets recorded as current assets increased by €2.17 million.
The total amount, €2,267 thousand, is made up of:
- €101 thousand relating to 2500 shares of Veneto Banca Holding S.c.a.r.l. held in the portfolio and purchased at the end of June 2012. These assets were classified as financial assets recorded in the income statement at fair value;
- €2,166 thousand relating to the residual receivable coming from the sale of the company Parvus Corp., which at 31 December 2013 was recorded under non-current financial assets. It is the amount of USD 3 million concerning the portion of the price tied to the purchaser's guarantee for 18 months, starting from 1 October 2013, by an escrow deposit.

10 – Cash & cash equivalents

The table below shows the composition of cash and cash equivalents at 30 June 2014 and 31 December 2013:

(€'000)	at June 30, 2014	at December 31, 2013
Bank and post office deposits	16,466	27,973
Cash and valuables in hand	22	22
TOTAL CASH & CASH EQUIVALENTS	16,488	27,995

Bank deposits are mostly on demand and are remunerated at a variable rate of interest. The fair value of cash and cash equivalents was €16.49 million (€28.00 million at 31 December 2013).
Cash and cash equivalents decreased by €11.51 million compared to 31 December 2013, due mainly to the payment of instalments on loans falling due during the first half-year (€3.7 million), the purchase of treasury shares (€1 million) and investments in tangible (€0.6 million) and intangible (€0.9 million) assets made in the period and to support management activities.

11 – Net financial position

The Group's net financial position is shown below:

(€'000)		at June 30, 2014	at December 31, 2013
Cash & cash equivalents	A	(16,488)	(27,995)
Cash equivalent	**B=A**	**(16,488)**	**(27,995)**
Other current financial assets	C	(2,267)	(101)
Derivative instruments	D	100	159
Short-term borrowing	E	6,817	12,319
Other current financial liabilities	F	38	0
Short-term financial position	**G=C+D+E+F**	**4,688**	**12,377**
Short-term net financial position	**H=B+G**	**(11,800)**	**(15,618)**
Other non current financial assets	I	0	(2,342)
Other non current financial liabilities	J	0	118
Medium/long term borrowing	K	1,556	2,729
Medium-/long-term net financial position	**L=I+J+K**	**1,556**	**505**
(NET FINANCIAL POSITION) NET DEBT	**M=G+L**	**(10,244)**	**(15,113)**

The net financial position of the Group at 30 June 2014 was €10.24 million.
At 30 June 2014 short-term borrowings (in applying the provisions of IAS 1.65) include, as previously done at 31 December 2013, the medium-long-term portion (€1,000 thousand while at 31.12.2013 it amounted to €2,000 thousand) of an existing loan with respect to which all the contractually established terms and conditions had not been observed year-end as an effect of the failure to notify the sale of a substantial asset (Parvus Corp.) in advance. The Parent Company is waiting to receive the waiver letter from the bank in order to be able to restore the loan to the expiry dates set out in the original repayment plan.

12 – Equity

The schedule below shows the composition of shareholders' equity at 31 December 2013 and 30 June 2014:

(€'000)	at June 30, 2014	at December 31, 2013
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(39,519)	(37,180)
Group shareholders' equity	**105,760**	**108,099**
Equity attributable to minority interest	**0**	**0**
Total shareholders' equity	**105,760**	**108,099**

The share capital at 30 June 2014 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 June 2014 amounted to €1.04 million and was formed by earnings allocated until the financial year (FY) that ended on 31 December 2013.

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 €7.24 million was 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., Dynatem Inc. and E-Tech USA Inc., UK subsidiary Eurotech Ltd. and Japanese subsidiary Advanet Inc.

The other reserves item was negative for €38.47 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 cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IAS 39, was negative for €100 thousand and decreased by €59 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 negative by €1.21 thousand and decreased by €186 thousand gross of the related tax effect; again it was not recorded due to the absence of the prerequisites.

The Parent Company Eurotech SpA held 1,319,020 treasury shares at the end of the reporting period (the number of treasury shares at 31.12.2013 totalled 871,020). The relevant transactions had no effect on the income statement. In December 2013 the board of directors implemented the Annual General Meeting resolution of 24 April 2013 to purchase treasury shares. During the half year 448,000 shares were purchased at an average price per share of €2.16.

13 – Basic and diluted earnings per share

Basic earnings (loss) per share (EPS) is calculated by dividing the income of the reporting period pertaining to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the reporting period, net of treasury shares.

During the periods under comparison, no capital transactions took place leading to EPS dilution.

The table below shows the earnings and information on the shares used to calculate base and diluted EPS.

	at June 30, 2014	at June 30, 2013
Net income (loss) attributable to parent company shareholders	(4,667,000)	(4,560,000)
Weighted average number of ordinary shares including own shares	35,515,784	35,515,784
Own shares	(1,319,020)	(420,140)
Weighted average number of ordinary shares except own shares	34,196,764	35,095,644
Net income (loss):		
- per share	(0.136)	(0.130)
- per share diluted	(0.136)	(0.130)

14 - Borrowings

The following table shows the breakdown of short- and medium-/long-term borrowings at 30 June 2014:

LENDER	COMPANY	BALANCE ON 31.12.2013	BALANCE ON 30.06.2014	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months	Long term Over 5 years
CURRENT OUTSTANDINGS - (a)		4,369	1,410	1,410	-	-	-
Finance Lease	Advanet Inc.	137	124	19	105	105	-
TOTAL OTHER FINANCINGS		137	124	19	105	105	-
Iccrea Banca Impresa	Eurotech S.p.A.	486	-	-	-	-	-
Total Group Iccrea		***486***	***-***	***-***	***-***	***-***	***-***
Banca Pop. Friuladria	Eurotech S.p.A.	1,000	-	-	-	-	-
Total Credit Agricole		***1,000***	***-***	***-***	***-***	***-***	***-***
Cassa di Risparmio del FVG	Eurotech S.p.A.	4,000	3,000	2,000	1,000	1,000	-
Total Gruppo INTESA - SAN PAOLO		***4,000***	***3,000***	***2,000***	***1,000***	***1,000***	***-***
The Chugoku Bank Ltd	Advanet Inc.	349	245	119	126	126	-
Total The Chugoku Bank Ltd		***349***	***245***	***119***	***126***	***126***	***-***
Cassa Rurale della Valle dei Laghi	EthLab S.r.l.	263	240	47	193	193	-
Total Credito Coperativo Banks		***263***	***240***	***47***	***193***	***193***	***-***
Unicredit	Eurotech S.p.A.	4,444	3,354	2,222	1,132	1,132	-
Total Gruppo Unicredit		***4,444***	***3,354***	***2,222***	***1,132***	***1,132***	***-***
TOTAL BANK DEBT - (c)		10,542	6,839	4,388	2,451	2,451	-
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		10,679	6,963	4,407	2,556	2,556	-
TOTAL DEBT - [(a) + (b) + (c)]		15,048	8,373	5,817	2,556	2,556	-
RECLASSIFICATION OF CURRENT SUBJECT TO COVENANT FUNDING		-	-	1,000	(1,000)	(1,000)	-
TOTAL DEBT AFTER RECLASSIFICATION		15,048	8,373	6,817	1,556	1,556	-

No new loans were contracted during the first half of 2014, while portions of medium/long-term loans falling due were paid in the amount of €3.7 million.

As previously pointed out in the comment on the net financial position, the Parent Company fully reclassified a short-term loan with €3,000 thousand still due, whose natural maturity for €1,000 thousand should be recorded as medium-long-term.

15 - Employee benefits

The table below shows the breakdown of employee benefits at 30 June 2014 and 31 December 2013:

(€'000)	at June 30, 2014	at December 31, 2013
Employees' leaving indemnity	289	304
Foreing Employees' leaving indemnity	1,430	1,312
Employees' retirement fund	87	83
TOTAL EMPLOYEES' BENEFITS	1,806	1,699

Defined benefit plans

In Italy and in Japan, the Group has defined-benefit pension plans in place that require contributions to a separately administered provision.
IAS 19 (Revised) was applied retroactively as of 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. The interest was calculated using the discount rate used to measure the pension plan's net liabilities or assets.
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, past service cost (not vested) was booked on a line-by-line basis using the average plan vesting period. With the transition to IAS 19 (Revised), the past service cost is booked immediately to the income statement if the benefits have vested immediately with the introduction, or amendment, of the pension plan.

The impact on the consolidated half-year statement of financial position was as follows:

	Defined benefit plans			
	Italy		Japan	
(€ '000)	at June 30, 2014	at December 31, 2013	at June 30, 2014	at December 31, 2013
Defined benefit plans reserve increase (long term)	(80)	(80)	(297)	(297)
Deferred tax assets increase (long term)	15	15	108	108
Impact on Equity	(65)	(65)	(189)	(189)
Shareholder of parent company	(65)	(65)	(189)	(189)
Minority	-	-	-	-

16 - Provisions for risks and charges

The schedule below shows the composition and changes of provisions for risks and charges at 30 June 2014 and 31 December 2013:

(€'000)	at December 31, 2013	Provision	Utilization	Other	at June 30, 2014
Selling agents' commission fund	51	2	-	-	53
Director termination fund	267	47	(165)	3	152
Guarantee reserve	241	50	-	6	297
Busting depreciable asset	254	-	-	13	267
Other long therm risk provision	71	44	(49)	3	69
TOTAL FUNDS FOR COSTS AND FUTURE RISKS	884	143	(214)	25	838

17 - Trade payables

The schedule below shows the composition of trade payables at 31 December 2013 and 30 June 2014:

(€'000)	at June 30, 2014	at December 31, 2013
Third parties	11,622	13,842
Affiliate companies	468	835
TOTAL TRADE PAYABLES	12,090	14,677

Trade payables at 30 June 2014 came to €12.09 million, decreasing by €2.59 million compared with 31 December 2013. Trade payables are non-interest bearing and, on average, are settled 90-120 days after invoice date.

18 – Other current liabilities

The table below shows the breakdown of other current liabilities at 30 June 2014 and 31 December 2013:

(€'000)	at June 30, 2014	at December 31, 2013
Social contributions	601	1,202
Other	3,473	2,888
Advances from customers	1,677	1,564
Other tax liabilities	284	377
Accrued expanses	793	1,082
TOTAL OTHER CURRENT LIABILITIES	6,828	7,113

Other payables

Other payables include amounts payable to employees for salaries as well as for holidays and paid leaves of absence accruing and not taken by employees at the reporting dates.

F - Breakdown of key income statement items

19 – Costs of raw & auxiliary materials and consumables used

(€'000)	1H2014	1H2013
Purchases of raw materials, semi-finished and finished products	14,881	15,210
Changes in inventories of raw materials	357	(1,102)
Change in inventories of semi-finished and finished products	641	(139)
TOTAL COST OF MATERIALS	15,879	13,969

Costs of raw & auxiliary materials and consumables used show a 13.7% increase in the period under review, up from €13.97 million of the first half of 2013 to €15.88 million in the first half of 2014. The increase is related not only to the forex effect, but also to the higher turnover developed during the first half of 2014 compared to the previous period.

20 – Other operating costs net of cost adjustments

(€'000)	1H 2014	1H 2013
Service costs	6,638	6,120
Rent and leases	826	861
Payroll	9,442	9,684
Accruals and other costs	588	1,102
Cost adjustments for in-house generation of non-current assets	(894)	(819)
Operating costs net of cost adjustments	**16,600**	**16,948**

The Other operating costs item in the table above, net of cost adjustments for internal increases, decreased from €16.95 million in the first half of 2013 to €16.60 million in the first half of 2014.

The Accruals and other costs item includes an allocation to the doubtful debt provision of €97 thousand, regarded as non-recurring and mainly prudential.

21 – Service costs

(€'000)	1H 2014	1H 2013
Industrial services	2,278	2,075
Commercial services	1,345	1,291
General and administrative costs	3,015	2,754
Total costs of services	**6,638**	**6,120**

Service costs in the periods considered recorded an 8.5% increase, up from €6.12 million to €6.64 million, due to investments made in the different sectors.

22 – Payroll costs

(€'000)	1H 2014	1H 2013
Wages, salaries, and Social Security	9,196	9,449
Severance indemnities	157	159
Other costs	89	76
Total cost of personnel	9,442	9,684

In the period under review, payroll costs decreased. This effect is caused by the reduced average cost of employees following the efficiency measures introduced in the past 12 months.

As the table below illustrates, the number of Group employees increased at the end of the last period, up from 354 units at 2013 year-end to 368 units at the end of the first half of 2014.

Employees	at June 30, 2014	at December 31, 2013	at June 30, 2013
Manager	9	11	11
Clerical w orkers	329	314	325
Line w orkers	30	29	30
TOTAL	368	354	366

23 – Cost adjustments for internally generated non-current assets

At 30 June 2014, cost adjustments for internally generated non-current assets amounted to €894 thousand (vs. €819 thousand at 30 June 2013). It refers entirely to the capitalisation of costs for internal staff, materials and services incurred for new-product development projects in the fields of 1) computers, NanoPC systems and modules, 2) machine-to-machine SW platforms and 3) HPCs. More specifically, if these costs had been deducted from the corresponding income statement item, there would have been a reduction of €277 thousand in materials costs (€148 thousand at 30 June 2013), €552 thousand in payroll costs (€550 thousand at 30 June 2013) and €65 thousand in services costs (€121 thousand at 30 June 2013).

24 – Other revenues

(€'000)	1H 2014	1H 2013
Government grants	-	-
Sundry revenues	102	258
Total other revenues	102	258

25 – Amortisation, depreciation and write-downs

(€'000)	1H 2014	1H 2013
Amortisation of intangile assets	2,110	2,617
Amortisation of property, plant and equipment	464	545
Total amortisation and depreciation	2,574	3,162

Amortisation, depreciation and write-downs dropped from €3.16 million in the first half of 2013 to €2.57 million in the second half of 2014. This change is mostly due to the smaller impact of both depreciation of tangible assets and amortisation of intangible assets (especially those of research and development and of customer relations).
Amortisation relating to PPA relates exclusively to customer relationships (€1.19 million, compared with €1.62 million at 30 June 2013).
No fixed assets were written down during the first half-year.

26 – Financial charges and income

The results of the Group's financial management are summarised below:

(€'000)	1H 2014	1H 2013
Exchange-rate losses	458	536
Interest expenses	236	367
Interest expenses due to the discounting	123	0
Expenses on derivatives	65	101
Other finance expenses	22	27
Financial charges	904	1,031

(€'000)	1H 2014	1H 2013
Exchange-rate gains	563	1,787
Interest income	37	8
Other finance income	7	6
Financial incomes	607	1,801

The decrease in interest expenses is due to lower Group debt at 30 June 2014 compared with the same period a year earlier. Greater available cash led to the increase in interest income.
The difference between exchange rate losses and gains was positive for €105 thousand, compared with a net positive effect of €1,251 thousand at 30 June 2013.

27 – Income tax for the period

Income taxes at 30 June 2014 were negative for €497 thousand (of which €997 thousand for current taxes and €509 thousand for net deferred tax assets), compared with the positive €70 thousand at 30 June 2013 (of which €458 thousand for current taxes and €528 thousand for net deferred tax assets), representing a negative change of €567 thousand.

(€'000)	1H 2014	1H 2013
IRES (Italian corporate income tax)	181	163
IRAP (Italian Regional business tax)	1	0
Foreign current income taxes	815	295
Total current income tax	997	458
Net (prepaid) deferred taxes: Italy	1	36
Net (prepaid) deferred taxes: Non-italian	(510)	(564)
Net (prepaid) deferred taxes	(509)	(528)
Previous years taxes	9	0
Previous years taxes	9	0
TOTAL INCOME TAXES	497	(70)

Advanced tax assets at 30 June 2014 amounted to €1.50 million (31.12.2013: €1.40 million) and mainly relate to the taxes calculated on inventory write-down provision, doubtful debt provision and other deductible costs of previous years.

Deferred tax liabilities at 30 June 2014 amounted to €5.81 million (31.12.2013: €6.02 million) and mainly relate to the tax effects on PPA. The decrease is mainly because of the booking of deferred taxes in the period, in addition to the forex effect on values expressed in USD and JPY and relating to the PPA values.

G – Other information

28 – Related-party transactions

The condensed consolidated half-year financial statements include the half-year financial statements of Eurotech SpA and the half-year accounts of the subsidiaries shown in the following table:

Name	Location	Currency	%of ownership 30.06.2014	%of ownership 31.12.2013
Subsidiaries				
I.P.S. Sistemi Programmabili S.r.l.	Italy	Euro	100.00%	100.00%
ETH Lab S.r.l.	Italy	Euro	99.99%	99.99%
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%
ETH Devices S.r.o.	Slovakia	Euro	100.00%	100.00%
Saee S.r.l. (2)	Italy	Euro	100.00%	100.00%
Dynatem Inc.	USA	USD	100.00%	100.00%
Advanet Inc.	Japan	Yen	90,00% (1)	90,00% (1)
Affiliated companies				
Chengdu Vantron Technologies Inc.	China		45.00%	45.00%
Delos S.r.l. (2)	Italy		40.00%	40.00%
eVS embedded Vision Systems S.r.l.	Italy		24.00%	24.00%
Emilab S.r.l.	Italy		24.82%	24.82%
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

Below we present related-party transactions not derecognised during consolidation.

RELATED PARTIES	Revenues to related parties	Interest to related parties	Purchases from related parties	Financial receivables to related parties	Receivables from related parties	Payables from related parties
Associated companies						
Chengdu Vantron Technology Inc	17	-	841	-	-	426
Emilab S.r.l.	-	-	21	-	-	21
eVS embedded Vision Systems S.r.l.	-	-	17	-	-	21
Total	17	-	879	-	-	468
Other related parties						
Finmeccanica Group	1,209	-	4	-	2,573	9
Total	1,209	-	4	-	2,573	9

29 – Financial risk management: objectives and criteria

The Group's financial instruments, other than derivative contracts, include bank loans in their various technical forms, finance leases, short-term and on-demand bank deposits, and trade payables. 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 has derivative transactions in place, mainly interest rate swaps. 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 the Group's financial instruments are interest rate risk, liquidity risk, foreign exchange risk, and credit risk. The Board of Directors has reviewed and agreed to the policies for managing these risks, as summarised below.

Interest rate risk
Group exposure to the risk of interest rate fluctuations mainly involves medium-term obligations taken on by the Group, featuring variable interest rates linked to various indices. In previous years the Group signed interest rate swap contracts (some of which are ongoing) providing for recognition of a variable rate against payment of a fixed rate. This type of contract 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. As at 30 June 2014, approximately 53.5% of Group loans had a fixed interest rate (in 2013 the percentage was 48.6%).

Exchange rate risk
In view of the significant investment transactions in the US, Japan and the UK, with substantial foreign currency cash flows from business and financial operations, the Group's financial statements could be significantly affected by changes in the USD/EUR, JP¥/EUR and GBP/EUR exchange rates. In the reporting period, no foreign exchange hedges were executed because of the uneven USD, GBP and JP¥ flows, particularly taking into account that the individual subsidiaries tend to operate in their respective functional currencies in their respective core markets.
About 81.8% of sales of goods and services (30 June 2013: 77.5%) and 71.5% (30 June 2013: 68.8%) of the cost of goods purchases and the operating costs of the Group are denominated in a different currency from the functional currency used by the Parent Company to draw up these condensed consolidated half-year financial statements.

Product and component price risk
Group exposure to price risk is not significant.

Credit risk
The Group trades only with known and reliable customers. The Group's policy is to check the creditworthiness grade of customers that request extended payment arrangements. In addition, the balance of receivables is monitored during the year so that the amount of non-performing positions is not significant. Only some receivables from key customers are insured due to the reduction in the exposure granted by insurance companies in recent years.
Financial assets 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.
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 maintaining funds and flexibility through the use of overdrafts, loans, and finance leases, transferral of recourse factoring and, potentially, equity financing in the market.

Group policy used to state that no more than 40% of loans could fall due within 12 months.
At 30 June 2014, based on financial statement balances, 63.3% of the Group's financial payables were due within one year (2013: 55.7%) based on the original plans.
The level set out in Group policy has been exceeded as the maturities of medium/long-term loans approach. Management will explore the possibility of obtaining new loans with longer maturities with the banks.

Fair value measurement and the relative hierarchical measurement levels

All financial instruments recorded at fair value are classed 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 has been 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 2014 and on the respective comparison figures.

At 30 June 2014, the Group held the following financial instruments measured at fair value:

(€'000)	Notional value at June 30, 2014	Fair valute at June 30, 2014 (debit)	Fair valute at June 30, 2014 (credit)	Notional value at December 31, 2013	Fair valute at December 31, 2013 (debit)	Fair valute at December 31, 2013 (credit)
Cash flow hedge						
Contracts Interest Rate Swap (IRS)	3,191	0	(100)	4,508	0	(159)

All the assets and liabilities measured at fair value at 30 June 2014 are at Level 2 of the fair value measurement scale. In addition, during the first six months of 2014 there were no transfers from Level 1 to Level 2 or Level 3, or vice versa.

30 – Financial and derivative instruments

Fair value

The book value and the fair value by category of all Group financial instruments booked in the financial statements do not show significant differences worth representing.
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 has been 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

Hedging of financial flows

As at 30 June 2014, the Group holds two interest rate swap contracts (for total notional residual amounts of €3.2 million) signed in previous years and during the current year, designated as instruments to hedge interest rate risk.

	Due date	*Fixed rate*	*Floating rate*	*Market value (€'000)*
Interest rate swap contracts				
€1,500,000	31 December 2015	2.52%	Euribor 6 month	(34)
€1,691,378	30 December 2015	4.08%	Euribor 6 month	(66)

Interest rate swap contract conditions were negotiated to coincide with the conditions of the underlying commitments.
The accounting treatment of these financial instruments in the reporting period entailed an increase in shareholders' equity of €59 thousand and decreased the cash flow hedge reserve as a direct reduction of equity to -€100 thousand in total.

31 – Events after the reporting period

No significant events took place after the closing of the condensed consolidated half-year statements at 30 June 2014.

32 – Business seasonality

The sector in which the Group operates does not feature any significant seasonal trends. However, the Group usually registers a greater concentration of revenues in the second part of the year. These higher sales are mainly due to customer scheduling. The trend has continued and is accentuated in the Group's current order book for financial year 2014.

Certification of the Condensed Consolidated Half-year Report

Pursuant to Article 154-bis, Part IV, Title III, Chapter II, Section V-bis of Legislative Decree no. 58 of 24 February 1998: “Consolidated act on measures relating to financial intermediation, pursuant to Articles 8 and 21 of Law no. 52 of 6 February 1996”.

1) We the undersigned, Roberto Siagri, Chief Executive Officer, and Sandro Barazza, Corporate Financial Reporting Manager, of Eurotech SpA, hereby certify, also having taken into account the requirements of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998 [the Italian Consolidated Finance Act] as subsequently amended and supplemented:
   - the conformity in connection with the characteristics of the company and
   - the actual application

   of the administrative and accounting procedures for drawing up the condensed consolidated half-year financial statements during the period ranging from 1 January to 30 June 2014.

2) Valuation of the adequacy of the administrative and accounting procedures for the formation of the condensed financial report at 30 June 2014 is based on a model Eurotech defined in line with the CoSO framework (document in the *CoSO Report*) and also takes into account the document “*Internal Control over Financial Reporting – Guidance for Smaller Public Companies*”, both prepared by the Committee of Sponsoring Organizations of the Treadway Commission that represent a generally accepted reference framework on the international level. To this regard, no important aspects emerged.

3) We also certify that the condensed consolidated half-year financial statements:
   a) correspond to the entries of the books and items;
   b) are prepared in compliance with the international accounting standards (IFRSs) recognised in the European Union pursuant to Regulation (CE) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002;
   c) provide a fair and true representation of the financial position and business performance of the set of entities included in the scope of consolidation.

4) The interim management report refers to the important events occurring in the first six months of the financial year and to 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 financial year, as well as information on significant related-party transactions.

Amaro (UD), 29 August 2014

Eurotech S.p.A.

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

Independent Auditors' report

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AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

To the Shareholders of
Eurotech SpA

1 We have reviewed the condensed consolidated interim financial statements of Eurotech SpA and its subsidiaries (Eurotech Group) as of 30 June 2014, which comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement 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 Financial Reporting Standards applicable to interim financial reporting (IAS 34), as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 We conducted our review in accordance with the criteria for a review recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles utilized therein as well as the application of analytical review procedures on the data contained in the above mentioned condensed consolidated interim financial statements. The limited review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike for an audit of the annual consolidated financial statements, we do not express a professional audit opinion on the condensed consolidated interim financial statements.

The condensed consolidated interim financial statements include comparative financial information of the prior year consolidated financial statements and of the condensed consolidated interim financial statements as of 30 June 2013, on which other auditors issued their reports dated 31 March 2014 and 29 August 2013, respectively. As described in the explanatory notes, in order to conform to the current year presentation, the Directors have revised some comparative figures originally reported in the prior year condensed consolidated interim financial statements reviewed by other auditors. These revisions and the related disclosure presented in the explanatory notes have been examined by us for the purpose of issuing this report on the condensed consolidated interim financial statements as of 30 June 2014.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Eurotech Group as of 30 June 2014

PricewaterhouseCoopers SpA

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have not been prepared, in all material respects, in accordance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34), as adopted by the European Union.

Udine, 29 August 2014

PricewaterhouseCoopers SpA

Signed by

Maria Cristina Landro
(Partner)

This report has been translated into English from the original, which was issued in Italian, solely for the convenience of international readers.

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