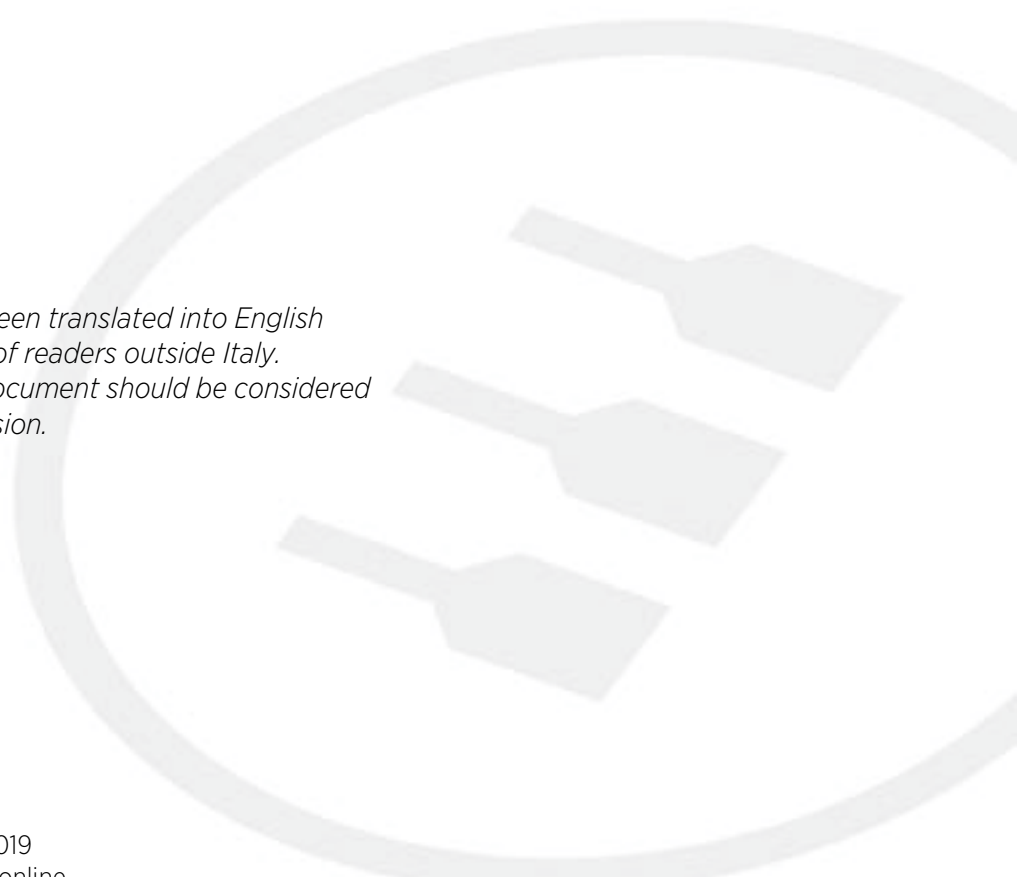


Consolidated Interim Management Report
at 31 March 2019





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

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in the Investors section of
www.eurotech.com

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

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Corporate Bodies

Board of Directors	
Chairman	Giuseppe Panizzardi ^{1 5}
Director	Roberto Siagri ⁶
Director	Dino Paladin ¹
Director	Giulio Antonello ^{1 2 6}
Director	Riccardo Costacurta ^{1 2 3 4 5}
Director	Chiara Mio ^{1 2 3 4 5 6}
Director	Giorgio Mosca ¹
Director	Carmen Pezzuto ^{1 2 4}
Director	Marina Pizzol ^{1 3}

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 26 April 2017; it will remain in office until approval of the 2019 financial statements.

Board of Statutory Auditors	
Chairman	Gianfranco Favaro
Statutory auditor	Laura Briganti
Statutory auditor	Gaetano Rebecchini
Substitute auditor	Clara Carbone
Substitute auditor	Nicola Turello

The Board of Statutory Auditors currently in office was appointed by shareholders at the Annual General Meeting of 26 April 2017, and will remain in office until the approval of the 2019 financial statements.

Independent auditor
PricewaterhouseCoopers

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

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

¹ Non-executive Directors.

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

³ Member of the Control and Risks Committee

⁴ Member of the Committee for Related Party Transactions

⁵ Member of the Remuneration Committee

⁶ Member of the Appointments Committee

Performance highlights

Income statement highlights

(€'000)	1Q 2019	%	1Q 2018	%	% change
OPERATING RESULTS					
SALES REVENUES	25,505	100.0%	17,894	100.0%	42.5%
GROSS PROFIT MARGIN (*)	12,181	47.8%	8,733	48.8%	39.5%
EBITDA (**)	4,078	16.0%	1,621	9.1%	151.6%
EBIT (***)	3,144	12.3%	1,172	6.5%	168.3%
PROFIT (LOSS) BEFORE TAXES	3,073	12.0%	795	4.4%	286.5%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	2,955	11.6%	623	3.5%	374.3%

(*) Gross profit is the difference between revenues from sale of goods and services and consumption of raw materials.

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

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

Balance sheet and financial highlights

€'000	at March 31, 2019	at December 31, 2018	at March 31, 2018
BALANCE SHEET AND FINANCIAL HIGHLIGHTS			
NET NON-CURRENT ASSETS	97,755	91,874	85,688
NET WORKING CAPITAL	20,954	15,607	17,349
NET INVESTED CAPITAL*	112,184	101,112	96,889
ASSETS HELD FOR SALES	0	0	28
SHAREHOLDERS' EQUITY	106,729	102,042	92,539
NET FINANCIAL POSITION	5,455	(930)	4,378

(*) Non-current non-financial assets, plus net working capital, less non-current not-financial liabilities.

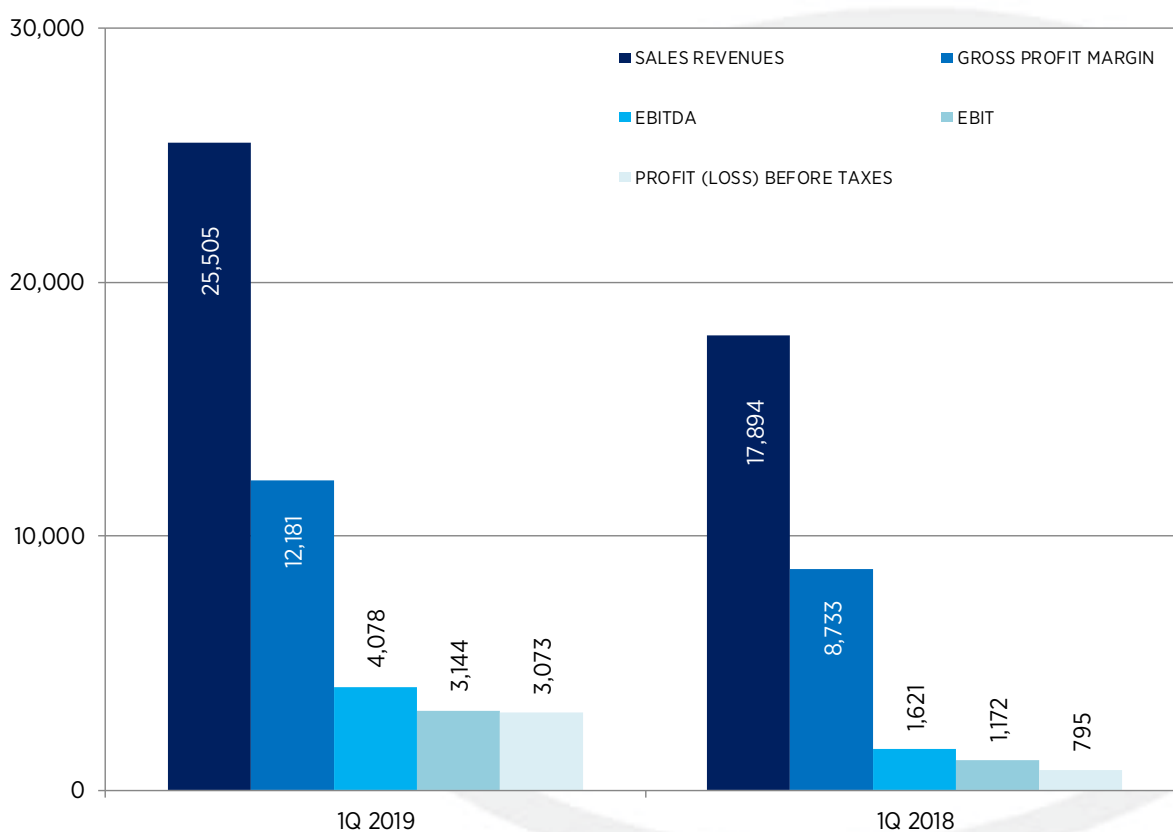
Employee headcount

	at March 31, 2019	at December 31, 2018	at March 31, 2018
EMPLOYEES	301	302	291

Revenues by business line

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

Summary of the results



Information for shareholders

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

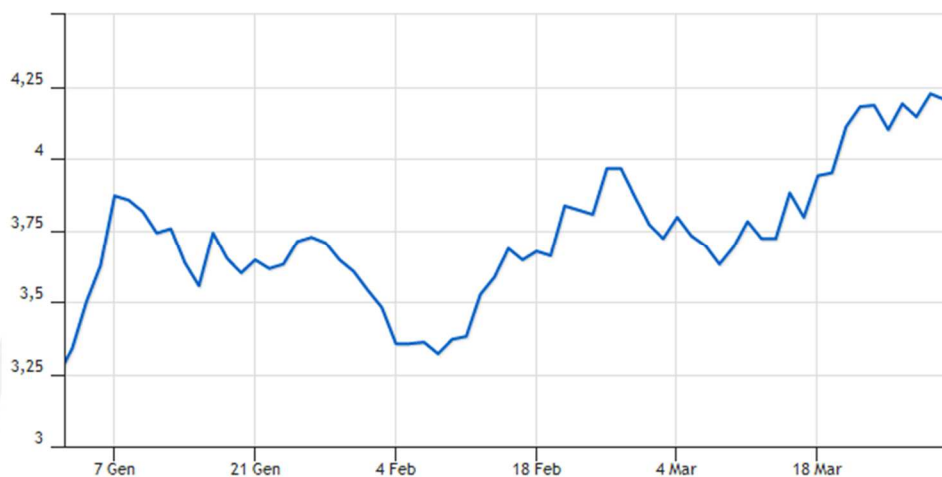
Share capital of Eurotech S.p.A. at 31 March 2019

Share capital	€8,878,946.00
Number of ordinary shares (without nominal unit value)	35,515,784
Number of savings shares	-
Number of Eurotech S.p.A. treasury shares	887,020
Stock market capitalisation (based on the share's average price in March 2019)	€138 million
Stock market capitalisation (based on the share's average price 31 March 2019)	€149 million

Performance of Eurotech S.p.A. shares

Relative performance of EUROTECH S.p.A. shares
01.01.2019 – 31.03.2019

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



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



The Eurotech Group

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

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

Within this overall vision, Eurotech conducts research and development activities with a view to building and marketing high performance and highly energy-efficient miniaturised computers that can be used in a variety of industrial spheres, that can be easily connected to one another and to the cloud through the new Internet of Things (IoT) paradigm.

The Group sells modular products with different levels of hardware and software integration, detailed as follows:

- basic components: electronic processing and communications boards according to different proprietary formats and compliant to standards (SFF, PC/104, Com-Express, VME, CompactPCI, etc.);
- high and very high performance, low consumption processing and communications sub-systems for stationary and mobile applications built using basic components and third-party components (product families: BoltCOR, DynaCOR, etc.);
- ready-to-use devices and sensors built from components and sub-systems with the integration of specific software (the ReliaGATE and DynaGATE families for IoT Gateways, the BoltGATE family for Edge Computers, and the PCN and ReliaSENS family for intelligent sensors);
- software for integration with the cloud of basic components, sub-systems and devices: ESF software framework and EC software platform;
- design services for solutions and personalised products to simplify their integration into customer products.

The Eurotech's offering is used in several application fields, both conventional and emerging. Eurotech is most active in the manufacturing, transport, medical, energy and defence 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. Through our products, we seek to reduce the time-to-market and the total cost of ownership of our customers, who can then focus on their core businesses.

With the emergence of industry 4.0 and the spread of artificial intelligence and collaborative robotics, considerable processing power, which over time had shifted from the "periphery" to the "centre" (cloud computing), is now returning to the "periphery" (edge computing). The paradigm of edge computing is revitalising both the traditional sector of embedded computers and that of High Performance Computers (HPC). Embedded computers are increasingly being requested at the "periphery" as long as interconnected with the cloud, and this interconnection function is guaranteed by IoT software platforms. By anticipating the market, over the years, Eurotech has developed a platform for industrial IoT, marketed under the name *Everyware Cloud* and, thanks to the open-innovation model adopted for its development, is becoming a de-facto standard.

HPCs, instead, will have to take on other forms: they will have to start to be miniaturised, just like Personal Computers were miniaturised in the Nineties, with a view to being used at the "periphery". Therefore, there is a shift from "central" HPCs to "peripheral" HPCs, which are now called HPEC (High Performance Embedded Computer).

Thanks to the knowhow developed over the years in the design of hot-water, low-pressure cooled HPC, Eurotech is one of the only companies able to offer very compact HPEC able to be used in very small

spaces, such as in mobile applications, and in any event able to meet the current needs of artificial intelligence applications.

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

Eurotech has always sought to excel within the sector’s standards. It has understood that, to provide its customers with performing and forward-looking solutions, excellence should not just be achieved through proprietary solutions, but rather as far as possible with state-of-the-art solutions that stay true to existing standards and, shouldn’t they exist, it must contribute to the formation of the same, as it has done in the Internet of things (MQTT protocol and open-source Kura and Kapua projects).

Lastly, with a view to business sustainability and to be able to continuously adapt the business model to the market, the company constantly focuses on the technological evolution of its products over time to evolve the offering, adding increasingly integrated devices to the same, which are more and more easily interconnected to the data networks and which therefore will allow to enable recurring revenue business models.



Summary of performance in the first quarter of 2019 and business outlook

Introduction

The interim management statement of the Eurotech Group at 31 March 2019, which has not been independently audited, and the statements for comparative periods were drawn up according to the IASs/IFRSs issued by the International Accounting Board and endorsed by the European Union.

The Group's results at 31 March 2019 and comparable periods were prepared according to the IASs/IFRSs in force on the date of preparation and the statements drawn up according to Annex 3D of the Italian Issuers' Regulation no. 11971 of 14 May 1999, as amended and supplemented.

Reporting policies

The consolidated financial statements were drafted on the basis of financial statements to 31 March 2019 prepared by the consolidated companies and adjusted, where necessary, to align them with the Group's IFRS-compliant accounting and classification policies.

The assessment and accounting policies and consolidation methods used to prepare the Consolidated Quarterly Report are consistent with those used in the Group Consolidated Annual Financial Report at 31 December 2018, to which we expressly invite readers to refer, except for the adoption of new standards, amendments and interpretations in force at 1 January 2019.

In particular, the Consolidated Quarterly Report for the first quarter of 2019 was formulated applying standard IFRS 16 - Leases, which establishes a new method for recognising lease contracts by introducing a criterion based on the control (right of use) of the asset to differentiate lease contracts from contracts for the provision of services. The effects, which will also be highlighted in this report, refer in particular to the representation of net financial indebtedness (higher indebtedness by €4.29 million) and the Group EBITDA (an improvement of €360 thousand), while the effect on EBIT was only of €10 thousand.

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

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

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

The preparation of the financial statements and the related notes to the accounts required the use of estimates and assumptions, with particular reference to provisions for write-downs and risk reserves. Estimates are revised periodically, and any adjustment, following changes in the circumstances on which the estimate was based or in light of new information, is booked in the income statement. The use of

estimates is an essential part of preparing the accounting statements and is not prejudicial to their overall reliability.

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

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

Operating performance in the period

Revenues earned by the Group in the first three months of 2019 amounted to €25.50 million compared to €17.89 million in the first three months of 2018, up 42.5%. At constant exchange rates, the increase in turnover would be 35.0%.

With reference to the localisation of the Group activities, the highest turnover in the quarter was generated in North America, accounting for 60.0% of the total (45.0% in the first quarter of 2018), followed by Japan with 21.1% (33.5% in the first quarter of 2018), while Europe covers the remaining 18.9% (21.5% in the first quarter of 2018).

The first quarter, which in previous years was the weakest quarter of the year, it is this year one of the best quarters of the last 5 years. This good result, combined with the level of orders already in our book that will become sales during the year, allow us to foresee a significant growth also for 2019. The work carried out in the last two years in the various geographical areas and in particular in North America is paying off, with an organisation evolving on the basis of the results and recognitions achieved.

Gross profit in the quarter under review equalled €12.18 million, accounting for 47.8% of revenues, compared to 48.8% in the first quarter of 2018 and slightly higher than the figure for 2018, which was 47.5%. Higher profitability is expected in the following quarters, with the goal to reach again by year end a gross profit margin around 50%. Management continues to carefully monitor this intermediate result both in order to reach the profitability level forecasted and because it measures the innovation of Group products.

The significant growth in revenues triggered also an increase in absolute terms of operating expenses gross of adjustments. In the quarter under review, these costs amounted €8.61 million, with an increase of 9.8% compared to the €7.84 million in the first quarter of 2018. At constant exchange rates, the increase would have been equal to 5.6%.

In percentage terms, the incidence of gross operating costs on revenues fell from 43.8% in the first quarter of 2018 to 33.7% in the first quarter of 2019. This reduction of operating costs as a percentage of revenues continues to highlight the activation of the operational leverage, i.e. that operating expenses have been growing in percentage terms at a much slower pace than turnover.

EBITDA for the first three months was a positive €4.08 million (16.0% of revenues) compared with €1.62 million in 2018 (9.1% of revenues), reflecting the trend of both gross profit and of operating costs and other revenues.

EBIT in the first three months of 2019 was €3.14 million (12.3% of revenues) compared to €1.17 million (6.5% of revenues) in the first three months of 2018. In addition to the above, this performance also reflects the depreciation and amortisation recognised in the income statement in the first quarter of 2019, deriving from operating assets becoming subject to depreciation in the quarter. Furthermore, the

application from 1 January 2019 of the new standard IFRS 16, according to which rental expenditure must be capitalised, has affected depreciation and amortisation expenses for €0.35 million.

Net finance expense was negative for €71 thousand in the first three months of 2019, while in the first three months of 2018 was negative for €377 thousand. For greater detail, readers should refer to the comments made in Note “J”.

The Group booked a pre-tax profit in the three months under review of €3.07 million, compared to €0.79 million in the first three months of 2018. The improvement of the pre-tax result, equal to €2.28 million, reflects mainly the improvement of EBIT.

In terms of Group net result, the tax burden on the Group's various units determined a profit of €2.95 million in the quarter (compared to €0.62 million in the first three months of 2018). In addition to reflecting the changes in the pre-tax result, the performance derives from the different tax burden recorded overall on the Group's units, with the incidence of taxes being limited by the effect of the recognition of a part of prepaid tax taxes deriving from unrecognised tax losses in previous years.



Financial statements and explanatory notes

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

Consolidated Income statement

CONSOLIDATED INCOME STATEMENT (€ '000)	Notes	1Q 2019 (b)	of which related parties		1Q 2018 (a)	of which related parties		change (b-a)	
				%			%	amount	%
Sales revenue	C	25,505	252	100.0%	17,894	71	100.0%	7,611	42.5%
Cost of material	D	(13,324)		-52.2%	(9,161)		-51.2%	4,163	-45.4%
Gross profit		12,181		47.8%	8,733		48.8%	3,448	39.5%
Services costs	E	(3,070)	(1)	-12.0%	(2,923)	0	-16.3%	147	-5.0%
Lease & hire costs		(96)		-0.4%	(422)		-2.4%	(326)	77.3%
Payroll costs	F	(5,220)		-20.5%	(4,263)		-23.8%	957	22.4%
Other provisions and costs	G	(220)		-0.9%	(231)		-1.3%	(11)	4.8%
Other revenues	H	503		2.0%	727		4.1%	(224)	-30.8%
EBITDA		4,078		16.0%	1,621		9.1%	2,457	151.6%
Depreciation & Amortization	I	(934)		-3.7%	(449)		-2.5%	485	-108.0%
EBIT		3,144		12.3%	1,172		6.5%	1,972	-168.3%
Finance expense	J	(391)		-1.5%	(674)		-3.8%	(283)	-42.0%
Finance income	J	320	1	1.3%	297	6	1.7%	23	7.7%
Profit before tax		3,073		12.0%	795		4.4%	2,278	286.5%
Income tax	K	(118)		-0.5%	(172)		-1.0%	(54)	-31.4%
Net profit (loss) of continuing operations before minority interest		2,955		11.6%	623		3.5%	2,332	374.3%
Minority interest	O	0		0.0%	0		0.0%	0	n/a
Group net profit (loss) for period	O	2,955		11.6%	623		3.5%	2,332	374.3%
Base earnings per share		0.086			0.018				
Diluted earnings per share		0.086			0.018				

Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Notes	1Q 2019	1Q 2018
<i>(€ '000)</i>			
Utile (Perdita) del periodo attribuibile al Gruppo (A)		2,955	623
Altre componenti del conto economico complessivo			
<i>Altre componenti di conto economico complessivo che saranno successivamente riclassificate nell'utile/ (perdita) d'esercizio :</i>			
(Perdita)/Utile netto sugli strumenti di copertura dei flussi finanziari (Cash Flow Hedge)		(4)	2
Effetto fiscale		-	-
		(4)	2
<i>Differenza di conversione di bilanci esteri</i>		823	1,989
<i>Differenze cambio per valutazione con il metodo del patrimonio netto delle partecipazioni in collegate</i>		-	-
(Perdita)/Utile netto su investimenti in gestioni estere		722	(924)
Effetto fiscale		-	-
		722	(924)
Totale altre componenti di conto economico complessivo che saranno successivamente riclassificate nell'utile / (perdita) d'esercizio al netto delle imposte (B)		1,541	1,067
<i>Altre componenti di conto economico complessivo che non saranno successivamente riclassificate nell'utile/ (perdita) d'esercizio :</i>			
(Perdita)/utile attuariale su piani per dipendenti a benefici definiti		-	(1)
Effetto fiscale		-	-
		-	(1)
Totale utile (perdita) delle altri componenti di conto economico complessivo che non saranno successivamente riclassificate nell'utile/ (perdite) d'esercizio al netto delle imposte (C)		-	(1)
Utile (Perdita) complessivo/a delle imposte (A+B+C)		4,496	1,689
Utile (Perdita) complessivo/a attribuibile alle Minoranze		-	-
Utile (Perdita) complessivo/a attribuibile al Gruppo		4,496	1,689

Consolidated statement of financial position

BALANCE SHEET	Notes	at March 31, 2019	of which related parties	at December 31, 2018	of which related parties
(€'000)					
ASSETS					
Intangible assets		86,987		85,369	
Property, Plant and equipment		6,828		2,579	
Investments in other companies		162		160	
Deferred tax assets		3,034		3,025	
Medium/long term borrowing allowed to affiliates companies and other Group companies		89	89	87	87
Other non-current assets		655		654	
Total non-current assets	L	97,755		91,874	
Inventories		23,396		21,998	
Contracts in progress		-	-	86	86
Trade receivables		17,181	262	13,808	1,000
Income tax receivables		573		298	
Other current assets		2,564		2,183	
Other current financial assets		105	11	104	10
Cash & cash equivalents		12,193		13,196	
Total current assets		56,012		51,673	
Total assets		153,767		143,547	
LIABILITIES AND EQUITY					
Share capital		8,879		8,879	
Share premium reserve		136,400		136,400	
Other reserves		(38,550)		(43,237)	
Group shareholders' equity	O	106,729		102,042	
Equity attributable to minority interest	O	-		-	
Total shareholders' equity	O	106,729		102,042	
Medium-/long-term borrowing		6,342		4,312	
Employee benefit obligations		2,589		2,465	
Deferred tax liabilities		3,043		3,035	
Other non-current liabilities		804		782	
Total non-current liabilities		12,778		10,594	
Trade payables		15,259	132	14,411	132
Short-term borrowing		11,476		8,125	
Derivative instruments		24		20	
Income tax liabilities		622		1,571	
Other current liabilities		6,879		6,784	
Total current liabilities		34,260		30,911	
Total liabilities		47,038		41,505	
Total liabilities and equity		153,767		143,547	

Consolidated statement of changes in Equity

(€'000)	Notes	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2017		8,879	1,385	136,400	8,817	(58,830)	(9)	(456)	2,280	(3,097)	(4,672)	90,697	-	90,697
2017 Result allocation		-	-	-	-	(4,672)	-	-	-	-	4,672	-	-	-
Profit (loss) as at March 31, 2018		-	-	-	-	-	-	-	-	-	623	623	-	623
<i>Comprehensive other profit (loss):</i>														
- Hedge transactions		-	-	-	-	-	2	-	-	-	-	2	-	2
- Actuarial gains/(losses) on defined benefit plans for employees		-	-	-	-	-	-	(1)	-	-	-	(1)	-	(1)
- Foreign balance sheets conversion difference		-	-	-	1,989	-	-	-	-	-	-	1,989	-	1,989
- Exchange differences on equity investments in foreign companies		-	-	-	-	-	-	-	(924)	-	-	(924)	-	(924)
Total Comprehensive result		-	-	-	1,989	-	2	(1)	(924)	-	623	1,689	-	1,689
- Performance Share Plan		-	-	-	-	153	-	-	-	-	-	153	-	153
Balance as at March 31, 2018	0	8,879	1,385	136,400	10,806	(63,349)	(7)	(457)	1,356	(3,097)	623	92,539	-	92,539

(€'000)	Notes	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2018		8,879	1,385	136,400	12,223	(63,924)	(20)	(425)	3,925	(2,083)	5,682	102,042	-	102,042
2018 Result allocation		-	391	-	-	5,291	-	-	-	-	(5,682)	-	-	-
Profit (loss) as at March 31, 2019		-	-	-	-	-	-	-	-	-	2,955	2,955	-	2,955
<i>Comprehensive other profit (loss):</i>														
- Hedge transactions		-	-	-	-	-	(4)	-	-	-	-	(4)	-	(4)
- Foreign balance sheets conversion difference		-	-	-	823	-	-	-	-	-	-	823	-	823
- Exchange differences on equity investments in foreign companies		-	-	-	-	-	-	-	722	-	-	722	-	722
Total Comprehensive result		-	-	-	823	-	(4)	-	722	-	2,955	4,496	-	4,496
- Performance Share Plan		-	-	-	-	191	-	-	-	-	-	191	-	191
Balance as at March 31, 2019	0	8,879	1,776	136,400	13,046	(58,442)	(24)	(425)	4,647	(2,083)	2,955	106,729	-	106,729

Net financial debt

Pursuant to the CESR Recommendation of 10 February 2005, the following table shows the Group's net financial debt at 31 March 2019, breaking it down by due date and comparing it with the situation at 31 March 2018 and 31 December 2018:

(€'000)		at March 31, 2019	at December 31, 2018	at March 31, 2018
Cash & cash equivalents	A	(12,193)	(13,196)	(8,974)
Cash equivalent	B=A	(12,193)	(13,196)	(8,974)
Other current financial assets	C	(105)	(104)	(102)
Derivative instruments	D	24	20	7
Short-term borrowing	E	11,476	8,125	11,386
Short-term financial position	F=C+D+E	11,395	8,041	11,291
Short-term net financial position	G=B+F	(798)	(5,155)	2,317
Medium/long term borrowing	H	6,342	4,312	2,142
Medium-/long-term net financial position	I=H	6,342	4,312	2,142
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	5,544	(843)	4,459
Medium/long term borrowing allowed to affiliates companies and other Group companies	K	(89)	(87)	(81)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	5,455	(930)	4,378

It is highlighted that, from 1 January 2019, the new standard IFRS 16 "Leases" was adopted, which establishes a new method for recognising lease contracts (Right of Use) which must be recognised under financial liabilities. Following the adoption of the new standard, at 31 March 2019 higher financial liabilities were recognised for €4.29 million; net of this effect, the net financial indebtedness would have been of €1.17 million.

Working capital

The Group's working capital at 31 March 2019, compared with the situation at 31 March 2018 and 31 December 2018, is as follows:

(€'000)	at March 31, 2019 (b)	at December 31, 2018 (a)	at March 31, 2018	Changes (b-a)
Inventories	23,396	21,998	20,056	1,398
Contracts in progress	0	86	455	(86)
Trade receivables	17,181	13,808	13,311	3,373
Receivables from affiliates companies	0	0	0	0
Income tax receivables	573	298	207	275
Other current assets	2,564	2,183	2,757	381
Current assets	43,714	38,373	36,786	5,341
Trade payables	(15,259)	(14,411)	(14,166)	(848)
Trade payables from affiliates companies	0	0	0	0
Income tax liabilities	(622)	(1,571)	(331)	949
Other current liabilities	(6,879)	(6,784)	(4,940)	(95)
Current liabilities	(22,760)	(22,766)	(19,437)	6
Net working capital	20,954	15,607	17,349	5,347

Cash flows

(€'000)		at March 31, 2019	at December 31, 2018	at March 31, 2018
Cash flow generated (used) in operations	A	(785)	10,577	1,839
Cash flow generated (used) in investment activities	B	(894)	(3,237)	(563)
Cash flow generated (absorbed) by financial assets	C	525	(905)	832
Net foreign exchange difference	D	151	16	121
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(1,003)	6,451	2,229
Opening amount in cash & cash equivalents		13,196	6,745	6,745
Cash & cash equivalents at end of period		12,193	13,196	8,974

A – Eurotech Group business

The Group's business activities are now grouped into a single business line, which includes both high performance special-purpose miniaturised computers, and SW platforms for M2M integration.

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

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

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

B – Scope of consolidation

The companies included in the scope of consolidation on a line-by-line basis at 31 March 2019 are as follows:

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

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

The following affiliates are also valued at equity:

Rotowi Technologies S.p.A. in liquidation (formerly U.T.R.I. S.p.A.)	Via del Follatolo, 12 – Trieste, Italy	21.31%
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Other smaller companies valued at cost

Kairos Autonomi Inc.	Sandy (UT, USA)	19.00%
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No changes took place with regard to subsidiaries and affiliates in the period to 31 March 2019 compared with 31 December 2018.

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 2019	As of March 31, 2019	Average 2018	As of December 31, 2018	Average 2018	As of March 31, 2018
British pound sterling	0.87251	0.85830	0.88471	0.89453	0.88337	0.87490
Japanese Yen	125.08349	124.45000	130.39588	125.85000	133.16620	131.15000
USA Dollar	1.13577	1.12350	1.18096	1.14500	1.22920	1.23210

C - Revenues

Revenues earned by the Group in the first quarter of 2019 amounted to €25.50 million (€17.89 million in the first three months of 2018), an increase of €7.61 million, corresponding to 42.5% against the same period of last year. The increase reflects the performance of orders which already indicated a growth last year and which have continued at a good pace also in 2019. The areas of greater growth were the US and Europe, where existing customers have increased their order volumes and where the Group's technological development capacity have found the interest of new customers more.

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

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

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

Revenues of by business region

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

	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1Q 2019	1Q 2018	% YoY Change	1Q 2019	1Q 2018	% YoY Change	1Q 2019	1Q 2018	% YoY Change	1Q 2019	1Q 2018	% YoY Change	1Q 2019	1Q 2018	% YoY Change
Third party Sales	15,300	8,056		4,817	3,835		5,388	6,003		0	0		25,505	17,894	
Infra-sector Sales	153	166		1,916	1,466		255	95		(2,324)	(1,727)		0	0	
Total Sales revenues	15,453	8,222	87.9%	6,733	5,301	27.0%	5,643	6,098	-7.5%	(2,324)	(1,727)	-34.6%	25,505	17,894	42.5%

The North American business area's revenues totalled €15.45 million in the first three months of 2019 compared with €8.22 million in the first three months of 2018, again recording a significant rise (+87.9% compared with 2018). The quarter has benefited from significant orders collected in 2018 and from the activity carried out by the new management, who are also developing new markets to offer products from both board&system and IoT business lines.

The European business area also recorded a significant increase with revenues rising from €5.30 million in the first quarter of 2018 to €6.73 million in the first quarter of 2019. This increase highlights how the Group has managed to grow despite this area being considered in crisis. Growth trends remain positive thanks to the legal opportunities in the transport sector, products linked to HPEC (High Performance Embedded Computer) technologies and the Industry 4.0 paradigm.

Lastly, the Asian business area registered a decrease of 7.5%, from €6.10 million to €5.64 million, due to the effect of a non-structural fluctuation of revenues in line with expectations.

Revenues by customer geographical area

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

(€' 000)	1Q 2019	%	1Q 2018	%	var. %
BREAKDOWN BY GEOGRAPHIC AREA					
European Union	4,094	16.1%	3,068	17.1%	33.4%
United States	14,981	58.7%	8,553	47.8%	75.2%
Japan	5,390	21.1%	6,003	33.5%	-10.2%
Other	1,040	4.1%	270	1.5%	285.2%
TOTAL SALES AND SERVICE REVENUES	25,505	100.0%	17,894	100.0%	42.5%

With reference to the figures by geographical area reported in the table, revenues in the US rose by 75.2% and the area's contribution to total revenues in the first quarter of 2019 confirmed the US to be the most important area, representing 58.7% of total revenues.

Despite a decrease of 10.2% compared to the first quarter of 2018, Japan remains the second most important area, accounting for 21.1% of the Group's revenues.

In Europe, again with reference to customer location, revenues increased by 33.4%, although still accounting for about 16.1% of total revenues.

D - Costs of raw & auxiliary materials and consumables used

Costs of raw & auxiliary materials and consumables used, which relate strictly to revenues, recorded an increase in the periods considered, rising from €9.16 million in the first three months of 2018 to €13.32 million in the first three months of 2019. In the period under review there was thus a variation of €4.16 million (45.4%), higher than the increase in revenues, which was 42.5%. This different incidence has highlighted a gross profit one percentage point lower compared to that of the first quarter in 2018, although slightly higher than that of FY2018. The gross profit trend is strictly correlated to the different

product mix sold in the quarters in question, in the different geographical areas and in the different markets for products.

As a percentage of revenues, consumption of raw & auxiliary materials and consumables rose from 51.2% in the first three months of 2018 to 52.2% in the first three months of 2019.

E – Service costs

The growth of the variable component of service costs led to an increase of the same of €0.15 million, corresponding to 5.0%, and amounting to €3.07 million. As a percentage of revenues, this cost item improved, falling from 16.3% in the first three months of 2018 to 12.0% in the first three months of 2019. In addition to referring to ordinary operations and therefore to sustaining the higher revenues, the costs pertain to the investments the Group continues to make in the new business line of the IoT platforms for applications in the industry and in services in addition to developments linked to the HPEC product line. These investments are aimed at supporting the research and development area which must maintain a product portfolio in line with the technological innovations proposed by the producers of raw materials and components and the sales and marketing divisions which must give visibility to the existing product range.

F – Payroll costs

In the period under review, in line with the Plan, payroll costs decreased from €4.26 million (23.8% of revenues) to €5.22 million (20.5% of revenues). At the end of the first quarter of 2019, there was a 1 unit reduction in the workforce compared to the figure at the end of the year, due to normal turnover trends. At present, the number of employees is higher and new people are sought to continue to bring to the organisation the skills needed to develop and achieve the strategic vision that guides the Group. Wages and Salaries also includes €191 thousand relating to the pro rata temporis portion of the cost of the Share Performance Plan in place (in the first quarter of 2018, the amount recorded under costs was €152 thousand).

The table below shows the number of Group employees:

	at March 31, 2019	at December 31, 2018	at March 31, 2018
EMPLOYEES			
Manager	7	11	9
Clerical workers	275	272	265
Line workers	19	19	17
TOTAL	301	302	291

G – Other provisions and costs

At 31 March 2019, this item included a provision for doubtful accounts of €55 thousand (€42 thousand in the first three months of 2018), and refers to provisions made for the possibility of uncollectable trade receivables.

Other provisions and costs as a percentage of revenues were 0.9%, lower than the 1.3% recorded in the same period in 2018.

H – Other revenues

The item other revenues shows a decrease from €727 thousand in the first three months of 2018 to €503 thousand in the first three months of 2019.

Other revenues comprise the capitalisation of development costs for new solutions featuring highly integrated standard modules and systems for €443 thousand (€499 thousand in the first three months of 2018), miscellaneous income of €60 thousand (€228 thousand in the first three months of 2018).

I – Depreciation, amortization and impairment

The value of amortisation, depreciation and impairment charges increased by €485 thousand, from €449 thousand in the first quarter of 2018 to €934 thousand in the first quarter of 2019. This item includes depreciation and amortisation expense of €351 thousand due to the application of IFRS 16.

J – Financial income and expenses

Financial expenses rose from €0.67 million for the first three months of 2018 to €0.39 million for the first three months of 2019. This increase is mainly attributable to lower exchange rate losses linked to the performance of the American dollar, the Japanese yen and the pound sterling.

Financial income, again due to exchange rates, rose by €23 thousand, from €0.30 million for the first three months of 2018 to €0.32 million for the first three months of 2019.

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

- foreign exchange losses: €0.24 million at 31 March 2019 (1.0% as a percentage of revenues), compared with €0.55 million at 31 March 2018 (3.1% as a percentage of revenues);
- foreign exchange gains: €0.31 million at 31 March 2019 (1.2% as a percentage of revenues), compared with €0.29 million at 31 March 2018 (1.6% as a percentage of revenues);
- miscellaneous interest expenses: €105 thousand at 31 March 2019 (0.6% as a percentage of revenues), compared with €102 thousand at 31 March 2018 (0.7% as a percentage of revenues).

€'000	1Q 2019	1Q 2018	var. %
Exchange-rate losses	243	551	-55.9%
Interest expenses	105	102	2.9%
Expenses on derivatives	4	8	-50.0%
Other finance expenses	39	13	200.0%
Financial charges	391	674	-42.0%
Exchange-rate gains	312	291	7.2%
Interest income	7	4	75.0%
Other finance income	1	2	-50.0%
Financial incomes	320	297	7.7%
Net financial income	(71)	(377)	-81.2%
% impact on sales	-0.1%	-0.6%	

K - Income taxes

Income taxes at 31 March 2019 were negative as a whole for €118 thousand (of which €113 thousand for current taxes and €5 thousand for net deferred tax assets), compared with a negative impact of €172 thousand at 31 March 2018 (of which €230 thousand for current taxes and €58 thousand for net deferred tax assets), representing a negative change of €54 thousand.

L - Non-current assets

The positive change in non-current assets between 31 December 2018 and 31 March 2019 of € 5.88 million was primarily due to the increase in property, plant and equipment following the application of the new IFRS 16 standard as well as foreign exchange rate changes.

Net investments of about €0.90 million in property, plant and equipment and intangible assets are partially offset by depreciation and amortisation for €0.94 million, of which €0.35 million for the application of the new IFRS 16 standard in relation to recognition of "Leases".

The most significant increases are related to intangible assets and are largely linked to projects to develop new products for a total amount equal to €0.71 million.

a - Intangible assets

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

(€ '000)	DEVELOPMENT COSTS	GOODWILL	SOFTWARE TRADEMARKS PATENTS	ASSETS UNDER CONSTRUCTI ON & ADVANCES	TOTAL INTANGIBLE ASSETS
OPENING BALANCE (A)	2,487	70,898	8,716	3,268	85,369
<i>Changes as at March 31, 2019</i>					
- Purchases	84	-	119	623	826
- Disposals	(7)	-	-	-	(7)
- Amortisation and impairment in period (-)	(425)	-	(31)	-	(456)
- Other changes	2,352	1,113	97	(2,307)	1,255
Total changes (B)	2,004	1,113	185	(1,684)	1,618
CLOSING BALANCE (A+B)	4,491	72,011	8,901	1,584	86,987

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

(€ '000)	at March 31, 2019		at December 31, 2018	
Cash generating units	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Inc.	44,811	8,509	44,312	8,415
ex Arcom Inc.)	21,836	-	21,428	-
Eurotech Ltd. (ex Arcom Ltd.)	5,088	-	4,882	-
Eurotech France S.a.s.	186	-	186	-
Other	90	-	90	-
TOTAL	72,011	8,509	70,898	8,415

b - Property, plant and equipment

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

(€ '000)	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTI ON & ADVANCES	LEASED ASSETS	RIGHT OF USE ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
OPENING BALANCE (A)	1,066	274	461	728	2	48	-	2,579
<i>Changes as at March 31, 2019</i>								
- Purchases	-	16	27	35	-	-	-	78
- Increases from IFRS 16	-	-	-	-	-	-	4,640	4,640
- Amortisation and impairment in period (-)	(9)	(14)	(46)	(52)	-	(6)	(351)	(478)
- Other changes	-	1	3	8	-	-	(3)	9
Total changes (B)	(9)	3	(16)	(9)	-	(6)	4,286	4,249
CLOSING BALANCE (A+B)	1,057	277	445	719	2	42	4,286	6,828

M – Net working capital

Net working capital increased by €5.35 million, from €15.61 million at 31 December 2018 to €20.96 million of 31 March 2019; this performance is due to the different trend of the collection and payment flows, as is usually the case during the first quarter, to the increase in trade receivables for the higher turnover in the quarter and to the increase in the value of inventory, to cover shipments in future quarters.

The positive change of €5.34 million in current assets was mainly due to the increase of warehouse inventory of €1.40 million and trade receivables of €3.37 million.

On the other hand, current liabilities remain unchanged even though there has been an increase in trade payables for €0.85 million and a reduction in income tax payables for €0.95 million.

N – Net financial position

Consolidated net financial indebtedness at 31 March 2019, excluding financial liabilities for rights of use introduced by the IFRS 16 accounting standard, amounts to €1.17 million compared to a net financial position with net cash of €0.93 at 31 December 2018. The application of the IFRS 16 accounting standard has involved the recognition by the Group companies of financial liabilities for rights of use at 31 March 2019 of €4.29 million which, added to the net financial indebtedness, determines a total net financial indebtedness after the application of IFRS 16 of €5.46 million.

The increase in indebtedness is to be ascribed, in addition to what indicated above, to the use of financial resources to support current assets. In particular, trade receivables at the end of the period and inventory which will be used in the following quarters to support growth have grown in parallel with the growth in turnover.

See also Cash flow on page 20.

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

Short-term financial liabilities mainly consist of current account overdrafts, the current portion of mortgage loans, and payables to other lenders falling due by 31 March 2020.

O – Changes in equity

The share capital at 31 March 2019 was made up of 35,515,784 ordinary shares, wholly subscribed and paid up, with no nominal value.

The balance of the Issuer's legal reserve at 31 March 2019 amounted to €1.78 million.

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 €13.05 million was generated by inclusion in the interim management statement of the statements of financial position and income statements of US subsidiaries Eurotech Inc. and E-Tech USA Inc., UK subsidiary Eurotech Ltd. and Japanese subsidiary Advanet Inc..

The other reserves item was negative for €58.44 million and comprised the Parent Company's surplus reserve, formed by losses carried forward, allocations of retained earnings from prior years and other reserves of miscellaneous origin. The change in the year is attributable to the allocation of the 2018 results and to the booking of Eurotech's Performance Share Plan for the period described in a specific section of the 2018 Consolidated Financial Statements.

The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IAS 39, was negative for €24 thousand and decreased by €4 thousand gross of the tax effect, which was not recognised due to absence of the relative prerequisites.

The foreign exchange reserve in which – based on IAS 21 – foreign exchange differences relating to intragroup foreign-currency loans that constitute part of a net investment in a foreign shareholding are recognised, was positive by €4.65 thousand and increased by €0.72 million gross of the related tax effect, not yet recorded due to the absence of the prerequisites.

At the end of the reporting period, the Parent Company Eurotech S.p.A. held 887,020 treasury shares (same amount at 31 December 2018).

P – Significant events in the quarter

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

- 23/01/2019 Eurotech and Horsa become partners to offer advanced IoT and Edge Analytics industrial solutions
- 26/02/2019 Eurotech announces Catalyst AL, the robust and low consumption Embedded module based on the CPU Intel® Atom™ “Apollo Lake” range
- 04/03/2019 Azul Systems and Eurotech come together to offer Java Open Source solutions on the Eurotech Boards and Edge Computers
- 28/02/2018 Eurotech brings benefits for the hyperconvergence beyond data centres with its edge server BoltCOR portfolio

The company also took part in the Star Conference 2019 in Milan on 20 and 21 March.

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

Q – Events after 31 March 2019

For events following 31 March, the reader may refer to the press releases listed below (the complete text can be consulted at the Group website www.eurotech.com on page <http://www.eurotech.com/it/news>).

No other significant events took place after the three months ended.

R - Risks and uncertainties

Please refer to the paragraphs “Main risks and uncertainties to which the Group is exposed” and “Financial risk management: objectives and criteria” in the 2018 Consolidated Financial Statements, in which the risks to which the Eurotech Group is subject are explained.

S - Other information

We also specify that:

- group intercompany transactions take place at market prices and are eliminated during the consolidation process;
- group companies’ related-party transactions form part of the normal course of business and are settled under arm’s length conditions;
- pursuant to CONSOB communication no. 15519/2005, there were no non-recurring economic components in the consolidated quarterly results to 31 March 2019;
- pursuant to CONSOB communication no. DEM/6064296 of 28 July 2006, there were no atypical and/or unusual transactions carried out in the first quarter of 2019;
- at 31 March 2019, the company held 887,020 treasury shares for a total value of €2,083 thousand. The changes were as follows:

	No. of shares	Face value of a share (Thousand of Euro)	% share capital	Carrying value (Thousand of Euro)	Average unit value
Status as at 1 January 2019	887,020	222	2.50%	2,083	2.35
Purchases	-	-	0.00%	-	
Sales	-	-	0.00%	-	
Assignment-Performance share Plan	-	-	0.00%	-	
Status as at 31 March 2019	887,020	222	2.50%	2,083	2.35

- as regards the requirements of Article 150, paragraph 1, of Italian Legislative Decree no. 58 of 24 February 1998, no members of the Board of Directors have executed transactions with Group companies in situations of potential conflict of interest;
- pursuant to Article 3 of Consob Resolution no. 18079 of 20 January 2012, Eurotech has adopted the simplification procedure set out in Articles 70, paragraph 8, and 71, paragraph 1-bis, of the Regulation adopted by Consob with Resolution no. 11971 of 14 May 1999 as amended and supplemented. It therefore opts to derogate from the requirement to publish the information documents set out in Attachment 3B of this Consob Regulation for significant transactions such as mergers, spin-offs, capital increases via contributions in kind, acquisitions and sales.

Amaro, 14 May 2019

On behalf of the Board of Directors

Signed Roberto Siagri
Chief Executive Officer

Declaration of the Financial Reporting Manager

Amaro, 14 May 2019

DECLARATION

PURSUANT TO ARTICLE 154 BIS, PARAGRAPH 2 – 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”

I, Sandro Barazza,

Financial Reporting Manager of Eurotech S.p.A., with reference to the Consolidated Interim Management Statement at 31 March 2019 approved by the Company's Board of Directors on 14 May 2019,

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in compliance with the matters set forth under ex - art. 154 bis, part IV, title III, chapter II, section V-bis of the Legislative Decree no. 58 of 24 February 1998, to the best of my knowledge, the Consolidated Interim Management Statement at 31 March 2019 corresponds to the accounting entries.

The Financial Reporting Manager
Signed Sandro Barazza

