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Consolidated Interim Financial Report
at 30 June 2017

EUROTECH

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for the convenience of readers outside Italy.
The original Italian document should be considered
the authoritative version.

This translation into English of the original document in Italian
has not been reviewed by the Independent Auditor

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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	Giuseppe Panizzardi [1] [5]
Vice Chairman	Roberto Siagri [6]
Vice Chairman	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 statutory auditor	Clara Carbone
Substitute statutory 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 S.p.A.

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

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

[1] Non-executive Directors.
[2] Independent Directors pursuant to the Corporate Governance Code issued by the Italian Corporate Governance Committee for Listed Companies.
[3] Member of the Control and Risks Committee
[4] Member of the Committee for Related Party Transactions
[5] Member of the Remuneration Committee
[6] Member of the Appointments Committee

Information for shareholders

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

Share capital of Eurotech S.p.A. at 30 June 2017

Share capital	Euro 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 June 2017)	Euro 49 million
Stock market capitalisation (based on the share's reference price at 30 June 2017)	Euro 48 million

Performance of Eurotech S.p.A. shares

Absolute performance of EUROTECH S.p.A. shares
01.01.2017 – 30.06.2017

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 indicated in Article 6 of the EC Regulation no. 1606/2002 of the European Parliament and European Council dated 19 July 2002.
This consolidated interim financial report for the six months to 30 June 2017 was prepared in accordance with IAS 34 - Interim Financial Reporting and Article 154-ter of the Consolidated Finance Law ("TUF"). This consolidated interim 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 2016.
Unless otherwise stated, data are expressed in thousands of euro.

Performance highlights

Income statement highlights

(€'000)		1H 2017	%	1H 2016	%	% change
OPERATING RESULTS						
SALES REVENUES		22,003	100.0%	28,439	100.0%	-22.6%
GROSS PROFIT MARGIN	(*)	9,873	44.9%	14,230	50.0%	-30.6%
EBITDA	(**)	(4,398)	-20.0%	(473)	-1.7%	-829.8%
EBIT	(***)	(6,854)	-31.2%	(3,005)	-10.6%	-128.1%
PROFIT (LOSS) BEFORE TAXES		(7,878)	-35.8%	(3,068)	-10.8%	-156.8%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		(7,017)	-31.9%	(2,809)	-9.9%	-149.8%

Balance sheet and financial highlights

FINANCIAL HIGHLIGHTS	at June 30, 2017	at December 31, 2016
Non-current assets	**90,196**	**95,220**
- of which net intangible assets	84,806	89,715
- of which net tangible assets	2,674	2,993
Current assets	**39,226**	**45,981**
Financial assets held for sales	**8**	**769**
TOTAL ASSETS	**129,430**	**141,970**
Group shareholders' equity	**92,652**	**103,557**
Minority interest	**0**	**0**
Non-current liabilities	**10,943**	**10,548**
Current liabilities	**25,835**	**27,865**
TOTAL LIABILITIES AND EQUITY	**129,430**	**141,970**

€'000	at June 30, 2017	at December 31, 2016
NET FINANCIAL POSITION	**6,053**	**2,340**
NET WORKING CAPITAL	**15,017**	**17,076**
NET INVESTED CAPITAL*	**98,697**	**105,128**
CASH FLOW DATA		
Cash flow generated (used) in operations	(3,192)	(1,426)
Cash flow generated (used) in investment activities	(225)	(34)
Cash flow generated (absorbed) by financial assets	2,949	(566)
Net foreign exchange difference	(103)	(218)
TOTAL CASH FLOW	**(571)**	**(2,244)**

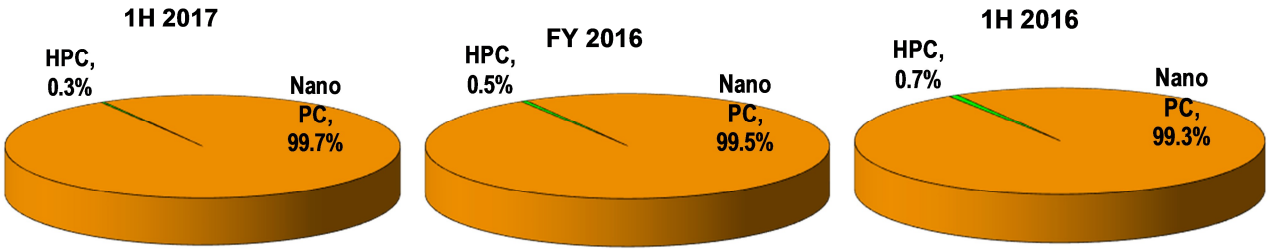
(*) Non-current non-financial assets, plus working capital, less non-current non-financial liabilities.

Employee headcount

	at June 30, 2017	at December 31, 2016	at June 30, 2016
EMPLOYEES	303	321	323

Revenues by business line

(€'000)	NanoPC				High Performance Computer				Total			
	1H 2017	1H 2016	% YoY Change	FY 2016	1H 2017	1H 2016	% YoY Change	FY 2016	1H 2017	1H 2016	% YoY Change	FY 2016
Sales revenues	21,947	28,228	-22.3%	60,807	56	211	-73.5%	296	22,003	28,439	-22.6%	61,103



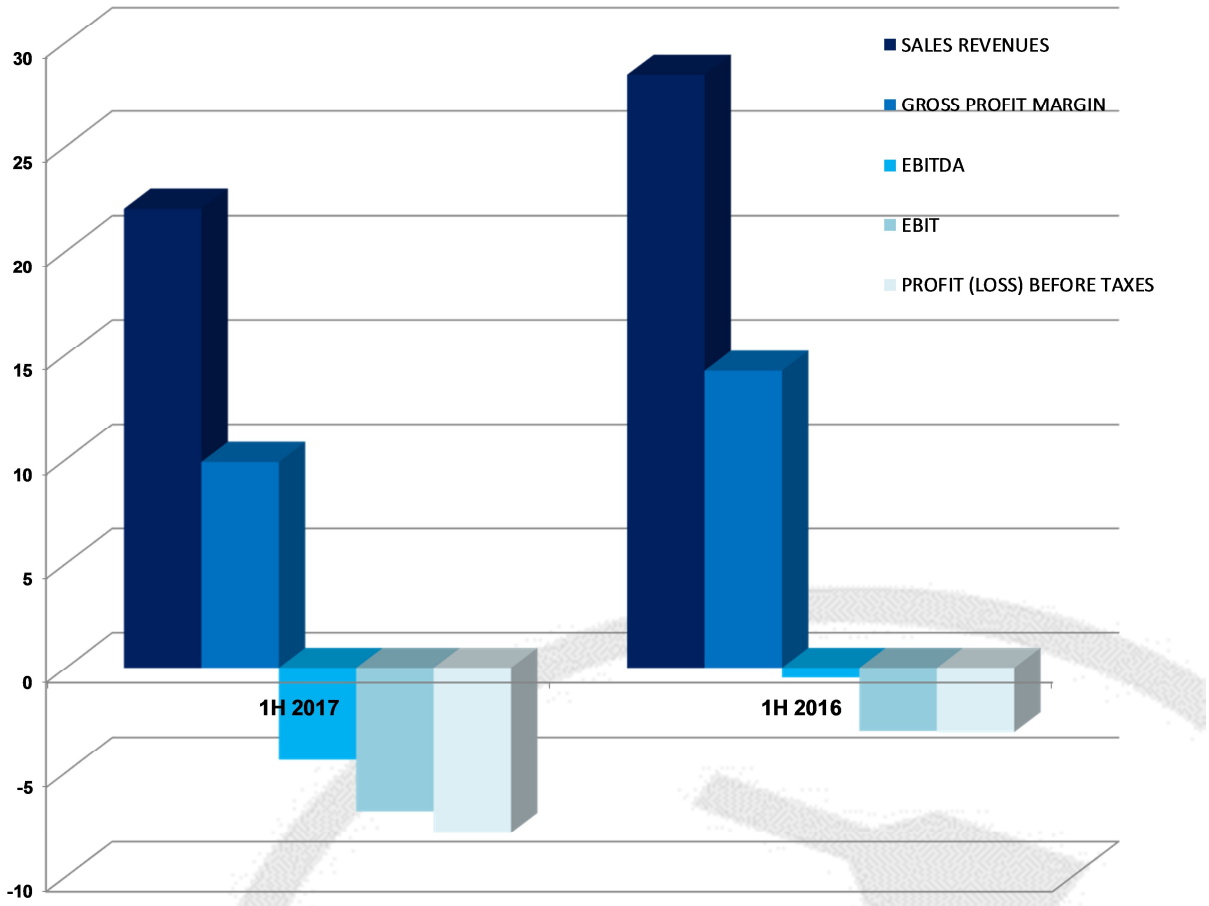
The business lines covered by the Group are 'NanoPCs' and 'HPCs' (High Performance Computers). The NanoPC line comprises miniaturised electronic modules and systems for the transport, logistics, defence, security, medical and industrial sectors; machine-to-machine (M2M) software platforms for Internet of Things (IoT) applications. The HPC line consists of highly energy-efficient supercomputers, currently targeting universities, research institutes and computing centres. Volumes in the HPC business line are affected by the 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

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1H 2017	1H 2016	% YoY Change	1H 2017	1H 2016	% YoY Change	1H 2017	1H 2016	% YoY Change	1H 2017	1H 2016	% YoY Change	1H 2017	1H 2016	% YoY Change
Third party Sales	8,608	10,224		3,737	7,783		9,602	10,221		0	0		21,947	28,228	
Infra-sector Sales	212	318		1,423	1,643		45	103		(1,680)	(2,064)		0	0	
Total Sales revenues	8,820	10,542	-16.3%	5,160	9,426	-45.3%	9,647	10,324	-6.6%	(1,680)	(2,064)	18.6%	21,947	28,228	-22.3%

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

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

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

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

The Group's NanoPC offering is used in several application fields, both conventional and emerging. Eurotech is most active in the transport, industrial, medical, defence, security and logistics sectors. The feature common to many of our Customers in all these sectors is they are seeking not only a supplier but also a centre of technological competence – and they often see in Eurotech a partner for innovating their products and their way of doing business. They choose Eurotech because they want to minimise the total cost of ownership of their projects and systems. They want to reduce their time-to-market and focus on their core businesses. They often need solutions for harsh operating conditions and for mission-critical applications, or supplies assured for long periods.
In the HPC segment, Eurotech designs and creates green supercomputers with huge computing capacity, occupying little space and highly energy efficient, created via mass and parallel connection of high-performance miniaturised computers. These supercomputers – in the past aimed at cutting-edge Research Institutes, Computing centres, and Universities – are turning out to be indispensable in advanced sectors such as nanotechnology, biotechnology and cyber security. We also expect them to have a significant impact on the medical and industrial fields.

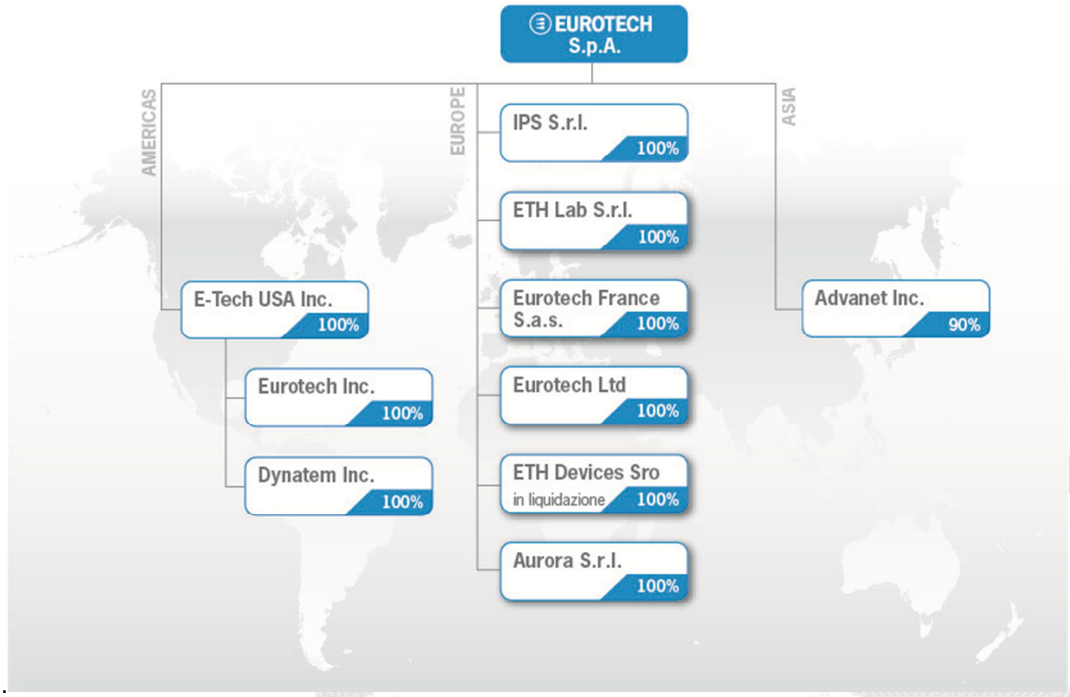
While we continue to improve our consolidated NanoPC and HPC offering, we are increasingly tackling the challenge of creating end-to-end solutions to seamlessly interconnect distributed smart objects and transport valuable data from these objects to business applications, leveraging on the Cloud IT infrastructure.
Any object that is equipped with a small interconnected computer can generate a flow of data and has the potential to become a web-monitored asset, whether it be a vending machine, a bundle of bank notes, an agricultural vehicle or a level crossing. But to create the 'Internet of Things', the interface between the real and the digital worlds, between sensors and the web, and between smart devices and applications in the Cloud, have to be managed.
At Eurotech, we know how to process significant data from assets in the real world, transport them in the Cloud and make them usable in business processes and applications. Today, our systems and devices can be easily integrated within a Cloud infrastructure, whether public or private, via our Everywhere Cloud software platform, which rapidly connects smart objects to build distributed systems for M2M (machine-to-machine) 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 2017, the Eurotech Group consisted of the following companies:

Company name	Business	Share capital	Group share
Parent company			
Eurotech S.p.A.	Operates in the NanoPC segment with its main focus on the Italian market and in the HPC market at global level. In terms of organisation, it performs the role of coordinating holding company at corporate level	Euro 8,878,946	
Subsidiaries and companies consolidated on a line-by-line basis			
Aurora S.r.l.	Company that provides High Performance Computer services within the Group.	Euro 10,000	100.00%
Dynatem Inc.	Operates in the US NanoPC market	USD 1,000	100.00%
E-Tech USA Inc.	Holding company that controls 100% of Eurotech Inc. and Dynatem Inc.	USD 8,000,000	100.00%
ETH Devices S.r.o. in liquidation	Operated in the Eastern European NanoPC sector, mainly in the handheld devices segment	Euro 10,000	100.00%
EthLab S.r.l.	Handles research on the Group's behalf (since 2005)	Euro 115,000	100.00%
Eurotech Inc.	Operates in the US NanoPC field	USD 26,500,000	100.00%
Eurotech Ltd.	Operates in the NanoPC segment, primarily in the UK	GBP 33,333	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 and surveillance sector under the ETH Security brand	Euro 51,480	100.00%
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 treasuryshares.



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Operating performance

(€'000)		1H 2017	%	1H 2016	%
OPERATING RESULTS					
SALES REVENUES		22,003	100.0%	28,439	100.0%
GROSS PROFIT MARGIN	(*)	9,873	44.9%	14,230	50.0%
EBITDA	(**)	(4,398)	-20.0%	(473)	-1.7%
EBIT	(***)	(6,854)	-31.2%	(3,005)	-10.6%
PROFIT (LOSS) BEFORE TAXES		(7,878)	-35.8%	(3,068)	-10.8%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		(7,017)	-31.9%	(2,809)	-9.9%

(*) 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 half-year that just ended was abnormal as it was affected by falling demand, with some traditional customers generating results lower than expectations, even compared to the same period of last year, starting from year-end 2016 and continuing into the early months of this year. Moreover, in the first six months, the other causes that have influenced the trend over the period, not shortening the effects outlined above, are attributable to the timing of the current negotiations, and in particular those related to the transport sector in the Italian area where the conclusion of supply contracts required more time than expected. The effects on sales will begin to appear in the second half. The upgrading of the sales structure in the US area since last April is showing its effects on the order and in the third and fourth quarters of the years will impact the sales.

In this situation, the Group has worked to further improve coordination between the various structures in the various geographical area, with the aim of increasing their efficiency and making the structures more effective to customers. The goal is to be prepared to respond more readily to customer demand with new products and technologies developed by the Group both in Embedded PC and IoT. This will reduce the time-to-market for the Group and for customers and thus improve return on investment as soon as market opportunities arise; that is when the acceleration phase in the adoption of new digital technologies will start and will enter completely on the 4th industrial revolution.

Since June, orders have increased in a steady trend as the value of backlog exceeds 25% the backlog level existing at the end of June last year, thus demonstrating the extraordinary peculiarity of the first few months of the year. A continuation of this trend of orders sees the end of the year positively. The persistence of this trend during the coming months will allow to start 2018 with a level of orders higher than at the end of 2016.
The company continues to invest in development, marketing and sales activities in the various geographic areas. To implement its blueprint more strategically, important organizational changes have been instituted. The company considered the short terms effects that they would result due to their implementation times, but it is also aware of the positive outcomes that these changes will lead to get up to speed.
In the IoT segment, the Group continues to work on the construction of an indirect sales channel to be joined to the direct channel, which is today the main sales channel. The indirect channel will have the advantage of leveraging both the partner's customer base and the vertical competencies of the partners so that we can face a larger and varied

market and where we believe that our modular supply of technological components can be even more valued. In this picture, the partnerships with VMware and RedHat fit perfectly.

The IoT market according to all the analysts is one of the most promising markets in terms of expected growth and the economic values that will be developed. These statements, in our case, appear to be confirmed as the number of opportunities the Group has been working on has doubled in the last 6 months. What we observe is that the transition from the POC (Proof of Concept) stage to the large-scale production phase takes longer than anticipated given the complexity of the digital transformation that companies must undertake.

Group revenues in the first half of 2017 totalled €22.00 million, compared to €28.44 million in the first half of 2016. The reduction in turnover, only slightly affected by the performance of the currencies in which the financial statements of the foreign companies are drawn up and the consequent translation of the local financial statements into the functional currency, the Euro, was caused by a reduction of the revenues in USA and European areas for which reasons have already been set. This missed turnover for the first six months is expected to be reasonably offset by higher sales in the second half due to the increase of orders starting in June.

The turnover generated by IoT products continues to grow over the period, although not yet with the expected rates. The Group POC's success rate (over 60%), stands at the high end of the market. The success of the POC shows that investment in technology and products is going in the right direction and revenue growth will be even faster when customers, who have completed the POC phase, will go to the large scale implementation phase.

With reference to the geographical areas of reference, during the half-year the Japanese area was the one where the biggest turnover was generated, with 43.8% of the total, despite a slight decrease compared to the turnover generated in the first half of 2016. The USA area made the same impact it did last year, although now it is the second most important area (it was the area that had generated the largest turnover in the first half of 2016). Lastly, the European area is awaiting business in the transport sector, whose slowness in materialising brings about results that are still unsatisfactory.

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[A] allocations relating to the business combination of Advanet Inc.
Actual results with and without the effect of purchase price allocation are summarised below:
- EBIT would be -€5.64 million rather than -€6.85 million;
- the pre-tax loss would have been -€6.66 million, rather than -€7.88 million;
- rather than -€7.01 million, the Group net result would have been -€6.23 million.

Gross profit in the period was €9.87 million, accounting for 44.9% of revenues, compared to 50.0% in the first half of 2016. Compared to the half-year of the previous year, the drop is related to the turnover level lower than that of the previous year, to several sales having margins below standard on strategic account for future development of the business and to some allocations made on the inventory figures to adapt their amount to the possible realisable value. These figures are expected to become absorbed with recovery of the turnover over the next six months in order to get a gross profit close to 50% at year-end.

In recent years, as well as in these six months of 2017, management paid close attention to reducing operating costs. During the first half of 2017, operating costs before adjustments decreased by €1.10 million (6.24%), falling from €17.58 million in the first half of 2016 to €16.48 million in the first half of 2017. This reduction in operating costs is mostly due to a reduction of the net absolute number of employees after measures were take to rationalise operational structures in general in addition to cutting costs for services deemed unnecessary during this stage of strategic focus. This reduction in operating costs made an impact on Group EBITDA.

[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. can be summarised as follows:
- depreciation, amortization and impairment: €1.22 million (€1.19 million at 30 June 2016), equal to the higher amortisation charged to the higher values attributed to intangible assets (particularly customer relationships);
- lower income taxes: €0.43 million (€0.47 million at 30 June 2016) resulting from the tax effect on adjustments made.

Because of the revenues performance commented on above, gross operating costs as a percentage of revenues was 74.9% (compared to 61.8% of the first half of 2016). It is believed that the turnover performance in the second half will take these percentages back to levels more in line with the average of past years.

EBITDA in the periods considered went from -€0.47 million in the first half of 2016 to -€4.40 million in the first half of 2017. EBITDA as a percentage of revenues was reported at -20.0% compared to -1.7% in the first half of 2016. The difference between one period and the other is due to the capital gains generated by the sale of the IPS Sistemi Programmabili S.r.l. subsidiary last year (€1.70 million), the reduced margin after turnover dropped in the comparative periods and the lower operating costs mentioned above.

EBIT came to -€6.85 million in the first half of 2017, compared with -€3.00 million in the first half of 2016. EBIT as a percentage of revenues was -31.2% in the first half, compared with -10.6% in the same period of 2016. 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 2017. Depreciation and amortisation derive from both operating assets becoming subject to depreciation in the first half and the non-monetary effects arising from price allocation relating to the acquisition of Advanet Inc. The effect on EBIT of the higher values attributed as a result of PPA was €1.22 million in the first half of 2017, compared with €1.19 million in the first half of 2016.

Affected by the performance of the currencies, financial management during the first six months of 2017 generated a loss of €0.91 million, compared with a loss of €0.14 million in the first six months of 2016. The foreign exchange differences due to the foreign currencies trend mostly contributed to this negative performance. Overall, in fact, foreign exchange differences had a negative effect on the period of €734 thousand (compared with a positive effect of €136 thousand in the first half of 2016), while financial management relating to interest had an effect of €174 thousand (€277 thousand in the first half of 2016).

A pre-tax loss of €7.88 million was registered for the first half of 2017 (compared with a loss of €3.07 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 €1.22 million in the first half of 2017 and €1.19 million in the first half of 2016.

The Group registered a net loss of €7.02 million in the first half of 2017, compared with a net loss of €2,81 million in the first half of 2016. 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 2017 amounted to €0.79 million (first half of 2016: Euro 0.72 million).

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 in 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, within the Group: 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 2017	1H 2016	%YoY Chg	1H 2017	1H 2016	%YoY Chg	1H 2017	1H 2016	%YoY Chg
Sales and service revenue by segment	21,947	28,228	-22.3%	56	211	-73.5%	22,003	28,439	-22.6%
Ebitda by segment	(4,206)	25	n/a	(192)	(498)	61.5%	(4,398)	(473)	829.8%
Ebit by segment	(6,574)	(2,419)	-171.8%	(280)	(586)	52.3%	(6,854)	(3,005)	-128.1%
Total EBIT							(6,854)	(3,005)	-128.1%
Net finance income (expense)							(908)	(141)	-544.0%
Shares of associates' profit (loss)	(3)	78					(3)	78	-103.8%
Subsidiaries management	(113)	-					(113)	-	-100.0%
Profit before tax of continuing operations							(7,878)	(3,068)	-156.8%
Income tax							861	259	232.4%
Net profit (loss)							(7,017)	(2,809)	-149.8%

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

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1H 2017	1H 2016	% YoY Change	1H 2017	1H 2016	% YoY Change	1H 2017	1H 2016	% YoY Change	1H 2017	1H 2016	% YoY Change	1H 2017	1H 2016	% YoY Change
Third party Sales	8,608	10,224		3,737	7,783		9,602	10,221		0	0		21,947	28,228	
Infra-sector Sales	212	318		1,423	1,643		45	103		(1,680)	(2,064)		0	0	
Total Sales revenues	8,820	10,542	-16.3%	5,160	9,426	-45.3%	9,647	10,324	-6.6%	(1,680)	(2,064)	18.6%	21,947	28,228	-22.3%
Gross profit	2,721	4,302	-36.8%	2,003	4,239	-52.7%	5,435	6,019	-9.7%	(198)	(438)	-54.8%	9,961	14,122	-29.5%
Gross profit margin - %	30.9%	40.8%		38.8%	45.0%		56.3%	58.3%					45.4%	50.0%	
EBITDA													(4,206)	25	n/a
EBITDA margin - %													-19.2%	0.1%	
EBIT													(6,574)	(2,419)	171.8%
EBIT margin - %													-30.0%	-8.6%	

North America revenues totalled €8.82 million in the first half of 2017 and €10.54 million in the first half of 2016, posting a reduction that was due to the shortage of orders collected during 2016, as was explained at the end of the year. This shortage was related to the misalignment - due to changes made in the sales structure - between the phase of completion of the supply of some personalised products linked to orders and projects obtained in past years (phase-out) and new projects (phase-in). This situation involved both new and consolidated customers and in both the segment of the embedded division (board&system) and the IoT segment. The elements the entire structure is committed to relate to the direct involvement of the parent company's management, the resulting actions taken recently and the sales force quickly reaching full operation, in order to rapidly recover the turnover needed for the revenues to grow in the medium and long-term in the area. The first results of the actions taken in the last three months can already be seen through an increase in orders compared to the previous quarter.
The European business area is showing a decrease from €9.43 million in the first half of 2016 to €5.16 million in the first half of 2017, including inter-regional revenues, and thus a reduction of 45.3%. This is mainly the effect of delays in signing some agreements in the transport sector. Performance is still nevertheless mixed and the stagnant economic situation is leading to growth issues in the three major European countries where the Group operates (Italy, France and the UK). The IoT/M2M offering continues to draw interest as regards both the software platform and the gateways, with a larger and larger number of customers using the platform and requiring attainment of PoC.
The Asian business area reported 6.6% decrease, dropping from €10.32 million to €9.65 million, due not only to the exchange rate but also a different breakdown of scheduling orders from several important customers compared to last year. The existing orders and those expected (although the latter with margins lower than the average of past years) will recover the turnover not realised up until now during the second part of the year and will, as a result, increase sales volumes.

In terms of the main business areas, HPC revenues were very limited in the half-year of reference. This continuation of insignificant revenues has led to a review of the strategy applied to the HPC division, which therefore might abandon the computing centre, research centre and university market to concentrate on the industrial markets and on automotive applications that envisage high computing capabilities in small spaces.
The NanoPC line registered a reduction in turnover of 22.3% (€21,947 thousand in the first half of 2017, compared with €28,228 thousand in the first half of 2016, as already mentioned).

The breakdown of revenues by type is as follows:

SALES BY TIPE	1H 2017	%	1H 2016	%
Industrial revenues	20,969	95.3%	26,596	93.5%
Services revenues	1,034	4.7%	1,843	6.5%
TOTALE SALES AND SERVICE REVENUES	**22,003**	**100.0%**	**28,439**	**100.0%**

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

BREAKDOWN BY GEOGRAPHIC AREA	1H 2017	%	1H 2016	%
European Union	3,367	15.3%	5,646	19.9%
United States	8,536	38.8%	10,664	37.5%
Japan	9,638	43.8%	10,152	35.7%
Other	462	2.1%	1,977	7.0%
TOTAL SALES AND SERVICE REVENUES	**22,003**	**100.0%**	**28,439**	**100.0%**

The Japanese area registered a 5.1% decrease due, as mentioned, to the different planning of deliveries of several important customers. During the half-year, the area was predominant and accounted for 43.8% of total revenues.
The revenues of the Group's various companies in the US region decreased by 20.0% due to the delay in transforming opportunities into orders in the traditional business and the gradual development of IoT turnover. As explained at year-end, the area continues to be the second most important for the Group, accounting for 38.8% of total revenues.
In Europe, again with reference to customer location, turnover reflected a 40.4% decrease and affected total turnover by approximately 15.3%. The area is still affected by sluggish demand.

Balance sheet

Non-current assets

(€'000)	at June 30, 2017	at December 31, 2016	Changes
ASSETS			
Intangible assets	84,806	89,715	(4,909)
Property, Plant and equipment	2,674	2,993	(319)
Investments in affiliate companies	0	11	(11)
Investments in other companies	167	301	(134)
Deferred tax assets	1,839	1,465	374
Medium/long term borrowing allowed to affiliates companies and other Group	92	95	(3)
Other non-current assets	618	640	(22)
Total non-current assets	**90,196**	**95,220**	**(5,024)**

Non-current assets in the above table decreased from €95.22 million in financial year 2016 to €90.02 million in the first half of 2017. The change mainly reflects changes in intangible and tangible assets arising from the different conversion ratio for financial statements in foreign currency and particularly of the Yen, as well as price allocation in the currency of the combined foreign entity, in addition to the investments made.
The change in the item equity investments in associates was due to adjusting the value of the associates to equity.

The Group's main investments break down as follows:

(€'000)	at June 30, 2017	at December 31, 2016	at June 30, 2016
Intangible assets	1,080	1,991	870
Property, plant and equipment	115	697	292
Investments	0	0	0
TOTAL MAIN INVESTMENTS	**1,195**	**2,688**	**1,162**

Current assets

(€'000)	at June 30, 2017	at December 31, 2016	Changes
Inventories	18,543	19,337	(794)
Trade receivables	9,591	15,813	(6,222)
Income tax receivables	403	155	248
Other current assets	1,990	1,414	576
Other current financial assets	84	76	8
Cash & cash equivalents	8,615	9,186	(571)
Total current assets	**39,226**	**45,981**	**(6,755)**

The current assets item decreased, from €45.98 million at 31 December 2016 to €39.23 million in the first half of 2017.

The decrease of trade receivables is due to their collection at the pre-established due dates, the decrease of inventory results from use of components and sales of products in inventory at year-end, while the decrease of cash in bank is to be particularly attributed to its use to repay loan portions, in addition to cover 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, 2017 (b)	at December 31, 2016 (a)	Changes (b-a)
Inventories	18,543	19,337	(794)
Trade receivables	9,591	15,813	(6,222)
Income tax receivables	403	155	248
Other current assets	1,990	1,414	576
Current assets	*30,527*	*36,719*	*(6,192)*
Trade payables	(9,215)	(13,459)	4,244
Income tax liabilities	(183)	(642)	459
Other current liabilities	(6,112)	(5,542)	(570)
Current liabilities	*(15,510)*	*(19,643)*	*4,133*
Net working capital	**15,017**	**17,076**	**(2,059)**

Net working capital went down compared to 31 December 2016. This change is the result of a combination of various elements: the decreased inventory value, attributed to the use of components and products to fulfil the deliveries scheduled; decreased trade receivables, which is due to a greater concentration of turnover at the end of the year compared to the end of the first half; and reduced trade payables and the increase of other current liabilities.

Net financial position

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

(€'000)		at June 30, 2017	at December 31, 2016
Cash & cash equivalents	A	(8,615)	(9,186)
Cash equivalent	**B=A**	**(8,615)**	**(9,186)**
Other current financial assets	C	(84)	(76)
Derivative instruments	D	11	12
Short-term borrowing	E	10,314	8,210
Short-term financial position	**F=C+D+E**	**10,241**	**8,146**
Short-term net financial position	**G=B+F**	**1,626**	**(1,040)**
Medium/long term borrowing	H	4,519	3,475
Medium-/long-term net financial position	**I=H**	**4,519**	**3,475**
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	**J=G+I**	**6,145**	**2,435**
Medium/long term borrowing allowed to affiliates companies and other Group companies	K	(92)	(95)
(NET FINANCIAL POSITION) NET DEBT	**L=J+K**	**6,053**	**2,340**

With reference to cash in bank, the change is due to the net effect coming from new loans received and payment of the portions of loans, its use to cover current operations and disbursement for investments made to support the various business lines.

Cash flows

(€'000)		at June 30, 2017	at December 31, 2016	at June 30, 2016
Cash flow generated (used) in operations	A	(3,192)	(1,426)	(1,632)
Cash flow generated (used) in investment activities	B	(225)	(34)	1,209
Cash flow generated (absorbed) by financial assets	C	2,949	(566)	(570)
Net foreign exchange difference	D	(103)	(218)	26
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(571)	(2,244)	(967)
Opening amount in cash & cash equivalents		9,186	11,430	11,430
Cash & cash equivalents at end of period		8,615	9,186	10,463

Investments and research and development

At 30 June 2017, technical investments (tangible assets) in plant, equipment and instruments amounted to €58 thousand, while investments in other assets totalled €52 thousand.
During the period, the Group worked on industrial 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 boosting corporate competitiveness. The costs of developing new products were capitalised at €1,080 thousand in the reporting period (€848 thousand in the first half of 2016).

Competitive scenario, outlook and future growth strategy

Due to the integration and strengthened relations between the Group's various companies, the global positioning of the Group in the emerging M2M/IoT market, as well as the Group's sound financial position, the outlook for the second half of 2017 is positive to a certain extent, 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 the field of both NanoPCs and HPCs, a focus on products/solutions increasingly closer to the paradigm of pervasive computing or cloud computing;
- strengthening commercial activities, particularly with regard to indirect sales channels along with direct ones;
- increased operating effectiveness in all areas where it is possible to capitalise on the integration between the individual Group companies and where economies of scale are achievable;
- the continuous monitoring of opportunities for new acquisitions to extend the Group's presence in specific markets or as cross-selling catalysts 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 of the Parent Company were not purchased on the stock market during the first half of 2017.

Disclosure on sovereign exposure

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

Process of simplifying the standards based on Consob resolution no. 18079/2012

Pursuant to Art. 3 of Consob Resolution no. 18079 of 20 January 2012, Eurotech adheres to the simplification procedure provided for by Art. 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.

Disclosure of corporate governance

The "Report on Corporate Governance and Ownership Structure" (hereinafter "Report") required by Art. 123-bis of the TUF (Italian Consolidated Finance Law) is prepared as a stand-alone document and was approved by the Board of Directors on 13 March 2017. It was published on the Company website at www.eurotech.com in the "Investors" section, in the same financial statements document.

The Report was drafted in line with the recommendations of the Corporate Governance Code and by taking the "Format for the report on corporate governance and ownership structure - 5th Edition (January 2015)" prepared by Borsa Italiana S.p.A. as the model.
An overall and complete picture of the corporate governance system adopted by Eurotech S.p.A. is provided in the Report. The Company's profile and principles that inspire it are presented. It provides information on the ownership structure and adherence to the Corporate Governance Code, including the most important governance practices applied and the key features of the internal control and risk management system. It contains a description of the functioning and composition of the management and supervisory bodies and their committees, roles, responsibilities and competences.
The criteria for determining the directors' fees are explained in the "Remuneration Report" prepared to fulfil the obligations set out in Art. 123-ter of the TUF and Art. 84-quater of the Consob Issuer Regulation. It is published in the "Investors/Information for shareholders" section of the Company website.

Events after the reporting period

On 5 September 2017, the Board of Directors of Eurotech S.p.A. resolved on the merger of Dynatem Inc. into Eurotech Inc. on the corporate organization of American companies.
No other significant events took place after the end of the half-year period.

Condensed consolidated half-year financial statements at 30 June 2017

Consolidated statement of financial position

(€'000)	Notes	at June 30, 2017	of which related parties	at December 31, 2016	of which related parties
ASSETS					
Intangible assets	1	84,806		89,715	
Property, Plant and equipment	2	2,674		2,993	
Investments in affiliate companies	3	0		11	
Investments in other companies	3	167		301	
Deferred tax assets	26	1,839		1,465	
Medium/long term borrowing allowed to affiliates companies and other Group		92	92	95	95
Other non-current assets		618		640	
Total non-current assets		**90,196**		**95,220**	
Inventories	4	18,543		19,337	
Trade receivables	5	9,591	606	15,813	1,037
Income tax receivables	6	403		155	
Other current assets	7	1,990		1,414	
Other current financial assets	8	84		76	
Cash & cash equivalents	9	8,615		9,186	
Total current assets		**39,226**		**45,981**	
Non-current assets classified as held for sale		**8**		**769**	
Total assets		**129,430**		**141,970**	
LIABILITIES AND EQUITY					
Share capital		8,879		8,879	
Share premium reserve		136,400		136,400	
Other reserves		(52,627)		(41,722)	
Group shareholders' equity	11	**92,652**		**103,557**	
Equity attributable to minority interest	11	**0**		**0**	
Total shareholders' equity	11	**92,652**		**103,557**	
Medium-/long-term borrowing	13	4,519		3,475	
Employee benefit obligations	14	2,436		2,437	
Deferred tax liabilities	26	3,279		3,767	
Other non-current liabilities	15	709		869	
Total non-current liabilities		**10,943**		**10,548**	
Trade payables	16	9,215	153	13,459	300
Short-term borrowing	13	10,314		8,210	
Derivative instruments	29	11		12	
Income tax liabilities	6	183		642	
Other current liabilities	17	6,112		5,542	
Total current liabilities		**25,835**		**27,865**	
Total liabilities		**36,778**		**38,413**	
Total liabilities and equity		**129,430**		**141,970**	

Consolidated income statement

(€'000)	Notes	1H 2017	of which related parties	1H 2016	of which related parties
Revenues from sales of products and services	D	22,003	370	28,439	931
Other revenues	23	1,094	-	1,929	1,705
- of which non recurrent	30	*0*	*0*	*1,705*	*1,705*
Cost of materials	18	(12,130)	(418)	(14,209)	(552)
Service costs	20	(5,807)	(12)	(6,091)	(26)
Lease & hire costs		(898)		(887)	
Payroll costs	21	(9,397)		(10,219)	
Other provisions and other costs		(377)		(379)	
current assets	22	1,114		944	
Depreciation & amortisation	24	(2,456)		(2,532)	
Asset impairment	25	0		0	
Operating profit		**(6,854)**		**(3,005)**	
Share of associates' profit of equity	3	(3)		78	
Subsidiaries management		(113)		0	
Finance expense	25	(1,314)		(702)	
Finance income	25	406	4	561	
Profit before taxes		**(7,878)**		**(3,068)**	
Income tax	26	861		259	
Net profit (loss)		**(7,017)**		**(2,809)**	
Minority interest		**0**		**0**	
Group net profit (loss) for period		**(7,017)**		**(2,809)**	
Base earnings (losses) per share	12	**(0.205)**		**(0.082)**	
Diluted earnings (losses) per share	12	**(0.205)**		**(0.082)**	

Consolidated statement of comprehensive income

(€'000)	1H 2017	1H 2016
Net profit (loss) before minority inerest (A)	**(7,017)**	**(2,809)**
Other elements of the statement of comprehensive income		
Other comprehensive income to be reclassified to profit or loss insubsequent periods:		
Net profit/(loss) from Cash Flow Hedge	1	(9)
Tax effect	-	-
	1	*(9)*
Foreign balance sheets conversion difference	*(1,129)*	*7,836*
Exchange differences on equity investments in foreign	(2,906)	(689)
Tax effect	-	-
	(2,906)	*(689)*
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)	*(4,034)*	*7,138*
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/(losses) on defined benefit plans for employees	0	49
Tax effect	-	(14)
	-	35
After taxes net other comprehensive income not being reclassified to profit orloss in subsequent periods (C)	*0*	*35*
Comprehensive net result (A+B+C)	**(11,051)**	**4,364**
Comprehensive minority interest	**-**	**-**
Comprehensive Group net profit (loss) for period	**(11,051)**	**4,364**

Statement of changes in consolidated 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, 2015	8,879	1,200	136,400	10,601	(47,761)	(8)	(372)	5,718	(3,097)	(6,223)	105,337	-	105,337
2015 Result allocation	-	185	-	-	(6,408)	-	-	-	-	6,223	-	-	-
Profit (loss) as at June 30, 2016	-	-	-	-	-	-	-	-	-	(2,809)	(2,809)	-	(2,809)
Comprehensive other profit (loss):													
- Hedge transactions	-	-	-	-		(9)	-	-	-	-	(9)	-	(9)
Actuarial gains/(losses) on defined benefit plans for employees	-	-	-	-	-	-	35	-	-	-	35	-	35
- Foreign balance sheets conversion difference	-	-	-	7,836	-			-	-	-	7,836	-	7,836
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	(689)	-	-	(689)	-	(689)
Comprehensive result	-	-	-	*7,836*	-	*(9)*	*35*	*(689)*	-	*(2,809)*	*4,364*	-	*4,364*
Balance as at June 30, 2016	8,879	1,385	136,400	18,437	(54,169)	(17)	(337)	5,029	(3,097)	(2,809)	109,701	-	109,701

(€'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, 2016	8,879	1,385	136,400	12,689	(54,109)	(12)	(398)	6,889	(3,097)	(5,069)	103,557	-	103,557
2016 Result allocation	-	-	-	-	(5,069)	-	-	-	-	5,069	-	-	-
Profit (loss) as at June 30, 2017	-	-	-	-	-	-	-	-	-	(7,017)	(7,017)	-	(7,017)
- Performance Share Plan	-	-	-	-	146	-	-	-	-	-	146	-	146
Comprehensive other profit (loss):													
- Hedge transactions	-	-	-	-		1	-	-	-	-	1	-	1
- Foreign balance sheets conversion difference	-	-	-	(1,129)	-			-	-	-	(1,129)	-	(1,129)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	(2,906)	-	-	(2,906)	-	(2,906)
Comprehensive result	-	-	-	*(1,129)*	-	*1*	-	*(2,906)*	-	*(7,017)*	(11,051)	-	(11,051)
Balance as at June 30, 2017	8,879	1,385	136,400	11,560	(59,032)	(11)	(398)	3,983	(3,097)	(7,017)	92,652	-	92,652

Consolidated cash flow statement

CONSOLIDATED STATEMENT OF CASH FLOWS (€'000)	at June 30, 2017	of which related parties	at June 30, 2016	of which related parties
CASH FLOWS GENERATED BY OPERATIONS:				
Group net profit	**(7,017)**		**(2,809)**	
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:				
Depreciation & amortization intangible assets, property, plant and equipment	2,456		2,532	
Write-down of receivables	49		72	
Interest income	(18)		(8)	
Interest paid	202		288	
Gain on business unit disposals and investments in associates	0		(1,705)	
Share of net profit of associate and non-consolidated subsidiaries	3		(78)	
Income taxes (paid) get	(481)		(1,313)	
Stock Grant expenses	146		0	
Provision for (use of) cumulative inventory write-down	443		(328)	
Provision for (use of) long-term employee severance indemnities	(1)		328	
Provision for (use of) risk provision	(160)		(155)	
(Provision for) / use of deferred tax asset / Provision for (use of) deferred tax liability	(862)		(83)	
Changes in current assets and liabilities				
Trade receivables	6,173	431	2,785	(416)
Other current assets	(824)		167	
Inventories and contracts in process	351		(1,011)	
Trade payables	(4,244)	(147)	(2,037)	(731)
Other current liabilities	592		1,723	
Total adjustments and changes	**3,825**		**1,177**	
Cash flow generated (used) in operations	**(3,192)**		**(1,632)**	
CASH FLOW FROM INVESTMENT ACTIVITIES:				
Sales of tangible and intangible assets	27		15	
Interest income	18		8	
Purchase of intangible fixed assets	(1,080)		(870)	
Purchase of tangible fixed assets	(115)		(292)	
Decreases (Increases) other financial assets	(8)		76	
Net investments in long-term investments and non-current assets	156		(70)	
Cash flow generated (used) by non-current assets classified as held for sale	777		2,342	
Cash flow generated (used) in investment activities	**(225)**		**1,209**	
CASH FLOW FROM FINANCING ACTIVITIES:				
Loans taken	3,349		1,072	
(Increases) decreases of loans to other Group companies	3	3	(90)	(90)
Interest paid	(202)		(288)	
(Repaid) loans short and medium/long term	(201)		(1,264)	
Cash flow generated (absorbed) by financial assets	**2,949**		**(570)**	
Net foreign exchange difference	(103)		26	
Increases (decreases) in cash & cash equivalents	**(571)**		**(967)**	
Opening amount in cash & cash equivalents	**9,186**		**11,430**	
Cash & cash equivalents at end of period	**8,615**		**10,463**	

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 2017 was authorised by resolution of the Board of Directors on 07 September 2017. 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 more 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 interim financial statements for the six months ended 30 June 2017 were prepared in accordance with IAS 34 - Interim Financial Reporting and Article 154-ter of the TUF as amended and supplemented. These condensed consolidated interim 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 2016.
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 Note C – "Discretionary evaluations and relevant accounting estimates" – of the consolidated financial statements at 31 December 2016.
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 2016, except for the adoption of the new standards, amendments and interpretations in force at 01 January 2017.

The standards, amendments and interpretations that have gone into effect since 1 January 2017 and that are applicable to the financial report at 30 June 2017 for the first time are briefly described below. The application of these standards, amendments and interpretations had no particular impact on the consolidated financial statements of the Group since they regulate matters not present, or that affect only financial disclosure.
- Amendment to IAS 12 – *Income taxes*: recognition of deferred tax assets on unrealised losses. On 19 January 2016, the IASB published several amendments to IAS 12 in order to clarify how to recognise the deferred tax assets relating to debt instruments measured at fair value.
- Amendment to IAS 7 – *Cash flow statement*: disclosure initiative. The purpose of the amendment published on 29 January 2016 is to improve the presentation and disclosure of financial information in the financial reports and to resolve some critical issues reported by operators.

The Group did not adopt accounting standards and interpretations whose application is not mandatory starting from 1 January 2017 in advance.
With reference to the new accounting standard, IFRS 15 – *Revenue from contracts with customers*, which replaces accounting standards IAS 18 – *Revenues* and IAS 11 – *Contract work in progress*, recently approved by the European Commission and compulsory to apply for the annual periods to start from 1 January 2018, the Group made a preliminary

analysis of the existing major contracts of sale and found no significant impact on revenue recognition in its consolidated financial statements.
As for the new standard, IFRS 9 – *Financial instruments*, which replaces IAS 39, also recently approved by the European Commission and that must be applied for the annual periods that will start from 1 January 2018, the Group is evaluating the implementation method and the effect that the new standard will have on the consolidated financial statements. A preliminary analysis with particular reference to classification and hedge accounting showed that no significant impacts on the Group financial statements are expected.

The consolidated financial report at 30 June 2017 is drawn up in euro, rounding amounts to the nearest thousand. It consists of the statement of financial position, the income statement, the statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, 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.

C – Scope of consolidation

The condensed consolidated interim financial statements include the half-year accounts of the Parent Company, Eurotech S.p.A., 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 2017 are as follows:

Company name	Registered offices	Share capital		Group share
Parent company				
Eurotech S.p.A.	Via Fratelli Solari, 3/A – Amaro (UD)	Euro	8,878,946	
Subsidiary companies consolidated line-by-line				
Aurora S.r.l.	Via Fratelli Solari, 3/A – Amaro (UD)	Euro	10,000	100.00%
Dynatem Inc.	Mission Viejo (USA)	USD	1,000	100.00%
ETH Devices S.r.o. in liquidation	Bratislava (Slovakia)	Euro	10,000	100.00%
EthLab S.r.l.	Via Dante, 300 – Pergine Valsugana (TN)	Euro	115,000	100.00%
Eurotech Inc.	Columbia (USA)	USD	26,500,000	100.00%
Eurotech Ltd.	Cambridge (UK)	GBP	33,333	100.00%
E-Tech USA Inc.	Columbia (USA)	USD	8,000,000	100.00%
Eurotech France S.A.S.	Venissieux 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%
Advanet Inc.	Okayama (Japan)	JPY	72,440,000	90.00% (1)
Subsidiaries valued at equity				
Rotowi Technologies S.p.A. in liquidazione (formerly U.T.R.I. S.p.A.)	Via Carlo Ghega, 15 – Trieste			21.31%
Other smaller companies valued at cost				
Kairos Autonomi Inc.	Salt Lake City (USA)			19.00%
Affiliated companies booked under assets held for sale				
eVS embedded Vision Systems S.r.l.	Ca' Vignal2, Strada Le Grazie 15 – Verona, Italy			24.00%

(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 main changes with regard to subsidiaries and affiliates compared with 31 December 2016 are as follows:
- 01/01/2017 the company eVS embedded Vision Systems was classified under assets held for sale;
- 02/05/2017 the company Chengdu Vantron Technology Inc. was sold to the majority shareholder;
- 04/07/ 2017 the Slovak company ETH Devices S.r.o. was placed in liquidation

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 6Months 2017	As of June 30, 2017	Average 2016	As of December 31, 2016	Average 6Months 2016	As of June 30, 2016
British pound sterling	0.86059	0.87933	0.81948	0.85618	0.77877	0.82650
Japanese Yen	121.78039	127.75000	120.19665	123.40000	124.41362	114.05000
USA Dollar	1.08302	1.14120	1.10690	1.05410	1.11594	1.11020

D – Segment reporting

For management purposes, the Group is organised into business segments: the "NanoPC" and "HPC (High Performance Computers)" segments. 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 were no significant intragroup transactions between business segments.
The geographical areas in the NanoPC segment are defined according to the location of Group assets and operations. Those identified 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 segments

The following table shows data on revenues and Group results for the half-years to 30 June 2017 and 30 June 2016 respectively.

(€'000)	NanoPC			High Performance Computer			Total		
	1H 2017	1H 2016	%YoY Chg	1H 2017	1H 2016	%YoY Chg	1H 2017	1H 2016	%YoY Chg
Sales and service revenue by segment	21,947	28,228	-22.3%	56	211	-73.5%	22,003	28,439	-22.6%
Ebitda by segment	(4,206)	25	n/a	(192)	(498)	61.5%	(4,398)	(473)	829.8%
Ebit by segment	(6,574)	(2,419)	-171.8%	(280)	(586)	52.3%	(6,854)	(3,005)	-128.1%
Total EBIT							(6,854)	(3,005)	-128.1%
Net finance income (expense)							(908)	(141)	-544.0%
Shares of associates' profit (loss)	(3)	78					(3)	78	-103.8%
Subsidiaries management	(113)	-					(113)	-	-100.0%
Profit before tax of continuing operations							(7,878)	(3,068)	-156.8%
Income tax							861	259	232.4%
Net profit (loss)							(7,017)	(2,809)	-149.8%

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

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1H 2017	1H 2016	% YoY Change	1H 2017	1H 2016	% YoY Change	1H 2017	1H 2016	% YoY Change	1H 2017	1H 2016	% YoY Change	1H 2017	1H 2016	% YoY Change
Third party Sales	8,608	10,224		3,737	7,783		9,602	10,221		0	0		21,947	28,228	
Infra-sector Sales	212	318		1,423	1,643		45	103		(1,680)	(2,064)		0	0	
Total Sales revenues	8,820	10,542	-16.3%	5,160	9,426	-45.3%	9,647	10,324	-6.6%	(1,680)	(2,064)	18.6%	21,947	28,228	-22.3%

The table below shows assets and investments in the Group's individual business segments at 30 June 2017 and 31 December 2016.

(€'000)	NanoPC		High Performance Computer		Total	
	1H 2017	FY 2016	1H 2017	FY 2016	1H 2017	FY 2016
Assets and liabilites						
Segment assets	126,805	139,096	2,420	2,538	129,225	141,634
Investments in subsidiaries non consolidated, associate & other companies	167	312	0	0	167	312
Unallocated assets					38	24
Total assets	**126,972**	**139,408**	**2,420**	**2,538**	**129,430**	**141,970**
Segment liabilities	32,221	35,263	4,557	3,150	36,778	38,413
Unallocated liabiities					0	0
Total liabilities	**32,221**	**35,263**	**4,557**	**3,150**	**36,778**	**38,413**
Other segment information						
Investments in tangible assets	115	661	0	36	115	697
Investments in intangible assets	1,080	1,991	0	0	1,080	1,991
Depreciation & amortisation	2,368	5,835	88	173	2,456	6,008

Segment assets at 30 June 2017 do not include the tax credits of the Parent Company (€0.04 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 2017	FY 2016	1H 2017	FY 2016	1H 2017	FY 2016	1H 2017	FY 2016	1H 2017	FY 2016
Activities by sector	35,205	41,868	64,162	69,796	72,451	74,170	(45,013)	(46,738)	126,805	139,096
Investments	284	635	753	1,613	158	476	0	0	1,195	2,724

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	11,889	82,261	22,732	2,270	31,097	150,249
Previous years' impairment	(1,186)	(7,922)	(8,251)	(46)	(146)	(17,551)
Previous years' amortisation	(8,381)	-	(5,722)	-	(28,880)	(42,983)
OPENING BALANCE	2,322	74,339	8,759	2,224	2,071	89,715
Purchases	91	-	1	988	-	1,080
Other changes	(2,336)	(3,972)	(1,117)	(81)	(1,196)	(8,702)
Transfers	1,481	-	-	(1,481)	-	-
Amortisation in period	(783)	-	(49)	-	(1,240)	(2,072)
Other changes in cumulative impairment	408	527	432	-	11	1,378
Other changes in cumulative amortisation	1,854	-	380	-	1,173	3,407
TOTAL CHANGES	715	(3,445)	(353)	(574)	(1,252)	(4,909)
Purchase or production costs	11,125	78,289	21,616	1,696	29,901	142,627
Impairment	(778)	(7,395)	(7,819)	(46)	(135)	(16,173)
Cumulative amortisation	(7,310)	-	(5,391)	-	(28,947)	(41,648)
CLOSING BALANCE	3,037	70,894	8,406	1,650	819	84,806

The decrease of €4,91 million is attributable to a combination of new investments totalling €1.08 million, a foreign exchange effect of €3,92 million and amortisation of €2.07 million registered in the first half-year. The total value decreased from €89.72 million last year to €84.81 million in the first half of 2017.

Investments made in the first six months of the year mainly relate to Group plans to develop new products, both on the new IoT/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, which amounted to €1.99 million. Other intangible assets include 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.

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 from 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, 2017		at December 31, 2016	
	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Inc.	43,653	8,289	45,193	8,582
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	21,498	-	23,269	-
Eurotech Ltd. (ex Arcom Ltd.)	4,967	-	5,101	-
Eurotech France S.a.s.	686	-	686	-
Other	90	-	90	-
TOTAL	70,894	8,289	74,339	8,582

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 an indefinite useful life, at 30 June 2017 the Group again critically analysed the calculation processes used at 31 December 2016 based on the market performance and on the performances of the period, which had also been made with the support of independent experts.

Following the half-year's performance that was lower than the forecasts in the plan, the Group companies reanalysed the forecasts indicated in the 2017-2019 operating and financial plan that the directors of the Parent Company had approved on 8 March 2017 by resolution.
Moreover, based on the market analyses by the sectors in which the Group operates and on the market performances of several products, a start-up phase slower than expected is found. This is why the group companies made a cash flow projection based on a five-year plan (2017-2021) that was considered closer to the market context, in order to assess the recoverability in consideration of the value in use (Discounted Cash Flows - DCF - method) of several of the amounts recognised as development costs. As far as the value in use of the goodwill and trademarks with an indefinite useful life recognised in the statement of financial position is concerned, the plan is still sufficient for considering its full recoverability already by analysing the first three years and relevant terminal value, although revised compared to the original one.

The recoverable amounts of the individual CGUs are calculated according to their value in use (DCF). The first three years (2017-2019) of the projected discounted cash flows set out in the Group 2017-2021 operating and financial plan, approved by Parent Company directors by resolution of 5th September 2017, were used to calculate the relative value, while cash flows beyond the time horizon set out in the plan, and for the purposes of calculating terminal value, were extrapolated using the perpetual annuity method, based on flows not dissimilar to those contained in the third year of the approved plan. The plans were prepared in the respective functional currencies, and the consequent recoverable values were uniformly compared with the book values in foreign currency allocated to the various cash generation units. Sensitive elements of the approved operating and financial plan were, if necessary, taken into account in calculating recoverable value.
The growth rate "g" used to calculate terminal value was 1.5%, in line with what was done at year-end and less than the average long-term growth rate for the embedded PC segment forecast for the various core markets. The discount rate (WACC) applied to prospective cash flows, different depending on the different percentages of the main business lines in the Plan in the various years, was considered in a range between 5.38% and 9.33%, according to the country where the individual companies operate and the debt structure over the various years of each company and net of tax effects.

Based on the updated assumptions underlying the new 2017-2021 operating and financial plans, reviewed conservatively for each CGU by the Parent Company directors in an analysis of internal sensitivity, and considering the

trends of the single markets of reference, the values in use coming from the impairment tests performed showed no need to reduce the value of goodwill and trademarks with an indefinite useful life, and more generally, invested capital.

Management continues 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 that, although some external and internal indicators (particularly Eurotech's stock market performance and the Group's operating result in the half-year) might signal net asset impairment, the existing prospects for the year, together with the level of existing backlog over 25% higher than that of the same period last year, 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, it is believed that even if lower than the forecasts for the first half of 2017, the Group's total operating result might be better in the second half. This situation presently does not allow for a complete and exhaustive reading of the potential 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
Purchase of production cost	1,649	6,043	5,069	5,762	2	355	18,880
Depreciation	(41)	-	-	-	-	-	(41)
Previous year's depreciation	(486)	(5,723)	(4,535)	(4,879)	-	(223)	(15,846)
OPENING BALANCE	**1,122**	**320**	**534**	**883**	**2**	**132**	**2,993**
Purchases	5	6	52	52	-	-	115
Disposals	-	(150)	(22)	(82)	-	-	(254)
Other changes	-	(146)	(140)	72	-	(225)	(439)
Depreciation in period	(15)	(50)	(149)	(143)	-	(27)	(384)
Reversal of cumulative depreciation	-	148	20	59	-	-	227
Other changes in cumulative amortisation	-	144	127	(81)	-	226	416
TOTAL CHANGES	**(10)**	**(48)**	**(112)**	**(123)**	**-**	**(26)**	**(319)**
Purchase or production cost	1,654	5,753	4,959	5,804	2	130	18,302
Cumulative depreciation	(501)	(5,481)	(4,537)	(5,044)	-	(24)	(15,587)
CLOSING BALANCE	**1,112**	**272**	**422**	**760**	**2**	**106**	**2,674**

The other changes item, which refers both to cost and to the related cumulative depreciation, refers to the different exchange rates at which foreign entities' values were converted at 30 June 2017 compared with those applied at 31 December 2016.

Purchases made in the half-year related mainly to computers, office equipment and industrial equipment.
Fixed assets under lease refers, for €106 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 and several cars that the parent company purchased.

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, 2017						
(€'000)	INITIAL VALUE	INCREASES	DECREASES	WRITE-UPS /WRITE-DOWN	OTHER	EOP VALUE	% OWNERSHIP
Investments in associate companies:							
eVS embedded Vision Systems S.r.l.	11	-	-	(3)	(8)	-	24.00%
Rotowy Technologies S.p.A. (ex U.T.R.I. S.p.A.)	-	-	-	-	-	-	21.32%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	**11**	**-**	**-**	**(3)**	**(8)**	**-**	
Investments in other companies:							
Consorzio Ecor' IT	2	-	-	-	-	2	
Consorzio Aeneas	5	-	-	-	-	5	
Consorzio Ditedi	11	-	-	-	-	11	7.69%
Inasset S.r.l.	18	-	-	-		18	0.38%
Consorzio Rete Space Italy	15	-	-	-	-	15	
Kairos Autonomi	249	-	-	(121)	(13)	115	19.00%
Others	1	-	-	-	-	1	
TOTAL INVESTMENTS IN OTHER COMPANIES	**301**	**-**	**-**	**(121)**	**(13)**	**167**	

The write-ups/write-downs item relates to application of the equity accounting method to investments in affiliates and for the company Kairos Autonomi, and to the impairment on the value of the equity investment to reflect a possible loss of the recognised value.

Other changes relate to the difference in the exchange rate used to convert the values of the equity investments at 30 June 2017 compared with the rate applied at 31 December 2016.

Of the equity investments in associates, the only one valued at equity is the company Rotowi Technologies S.p.A. in liquidation (formerly U.T.R.I. S.p.A.). The percentage shareholding is 21.32%.

The other associate held is eVS embedded Vision Systems S.r.l. (company incorporated in the first half of 2007, coming from a spin-off of the University of Verona, with 24% held), which was reclassified under assets held for sale following the decision of the management body to be willing to assess its possible sale.

4 - Inventories

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

(€'000)	at June 30, 2017	at December 31, 2016
Raw & auxiliary materials and consumables - gross	7,587	7,675
Inventory write-down provision	(1,609)	(1,733)
Raw & auxiliary materials and consumables - net	**5,978**	**5,942**
Work in process and semi-finished goods - gross	3,561	2,731
Inventory write-down provision	(581)	(553)
Work in process and semi-finished goods	**2,980**	**2,178**
Finished poducts and goods for resale - gross	11,783	13,059
Inventory write-down provision	(2,255)	(1,962)
Finished products and goods for resale - net	**9,528**	**11,097**
Advances	**57**	**120**
TOTAL INVENTORIES	**18,543**	**19,337**

Inventories at 30 June 2017 amounted to €18.54 million, net of inventory write-down provision totalling €4.44 million. The amount of the inventory write-down reserve was still in line with the previous year due to the combined effect of the provisions made during the period and the uses that reduced it following the freeing up of items in the warehouse previously written down entirely or partly and that were instead used or sold at a value higher than the net book value.

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, 2017	at December 31, 2016
OPENING BALANCE	**4,248**	**3,302**
Provisions	584	1,551
Other changes	(246)	197
Utilisation	(141)	(802)
CLOSING BALANCE	**4,445**	**4,248**

Other changes reflect 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.

5 – Trade receivables

The schedule below shows the breakdown of trade receivables and the respective doubtful debt provision at 30 June 2017 and 31 December 2016:

(€'000)	at June 30, 2017	at December 31, 2016
Trade receivables - customers	9,377	15,048
Trade receivables medium/long term - customers	0	180
Trade receivables - realted paties	606	1,037
Doubtful debt provision	(392)	(452)
TOTAL TRADE RECEIVABLES	**9,591**	**15,813**

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, net of the relative doubtful debt provision, decreased by €6.22 million compared with 31 December 2016. 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, and particularly in this half-year, compared with the usual situation in the final months of the year.
The receivables include €0.1 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 2017.

Receivables are shown after a doubtful debt provision of €0.39 million.

CHANGES IN CUMULATIVE DOUBTFUL DEBT PROVISION - € '000	at June 30, 2017	at December 31, 2016
OPENING BALANCE	**452**	**2,243**
Provisioning	49	187
Other changes	(14)	67
Utilisation	(95)	(2,045)
CLOSING BALANCE	**392**	**452**

The net decrease in the period was €60 thousand, due to the combined effect of €49 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 (-€14 thousand), as well as the use of the provision for €95 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.

6 – Tax receivables and payables

Receivables for income taxes represent receivables from individual governments for direct taxation (IRES and income taxes in various countries) which should be recovered within the next year, as well as receivables for withholdings made on dividends paid out to the Parent Company. Compared to 31 December 2016, the figure rose from €155 thousand to €403 thousand.

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 €117 thousand (2016: €574 thousand), while Italian tax payables amounted to €66 thousand (2016: €68 thousand).

7 – Other current assets

The schedule below shows the composition of other current assets at 30 June 2017 and 31 December 2016:

(€'000)	at June 30, 2017	at December 31, 2016
Amounts receivable for grants	220	37
Advance payments to suppliers	215	175
Tax receivables	434	286
Other receivables	107	188
Accrued income and prepaid expenses	1,014	728
TOTAL OTHER CURRENT ASSETS	**1,990**	**1,414**

Grants receivable relate to grants that will reasonably be received by Parent Company Eurotech S.p.A. and by the subsidiaries ETH Lab S.r.l. and IPS Sistemi Programmabili S.r.l. by the end of the following year for the development of new products and technologies carried out in previous years.
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.

8 – Other current financial assets

The "other current financial assets" item booked under current assets increased by €8 thousand.
The amount refers to a three-year insurance policy (€80 thousand) and to 100 shares of Banca Popolare Friuladria (€4 thousand).
The portfolio still contains 2,500 shares of Veneto Banca Holding S.c.a.r.l. purchased at the end of June 2012 and recorded at a market value of €0.1.
These assets were classified as financial assets recorded in the income statement at fair value.

9 – Cash & cash equivalents

The table below shows the composition of cash and cash equivalents at 30 June 2017 and 31 December 2016:

(€'000)	at June 30, 2017	at December 31, 2016
Bank and post office deposits	8,594	9,161
Cash and valuables in hand	21	25
TOTAL CASH & CASH EQUIVALENTS	**8,615**	**9,186**

Bank deposits are mostly on demand and are remunerated at a variable rate of interest. The fair value of cash and cash equivalents was €8.61 million (€9.19 million at 31 December 2016).
Cash and cash equivalents decreased by €0.57 million compared to 31 December 2016, due mainly to the payment of instalments on loans falling due during the first half-year (€1.8 million) and investments in tangible (€0.1 million) and intangible (€1.1 million) assets made in the period as well as cash flows absorbed by operating activities and to open new loans (€3.3 million).

10 – Net financial position

The Group's net financial position is shown below:

(€'000)		at June 30, 2017	at December 31, 2016
Cash & cash equivalents	A	(8,615)	(9,186)
Cash equivalent	**B=A**	**(8,615)**	**(9,186)**
Other current financial assets	C	(84)	(76)
Derivative instruments	D	11	12
Short-term borrowing	E	10,314	8,210
Short-term financial position	**F=C+D+E**	**10,241**	**8,146**
Short-term net financial position	**G=B+F**	**1,626**	**(1,040)**
Medium/long term borrowing	H	4,519	3,475
Medium-/long-term net financial position	**I=H**	**4,519**	**3,475**
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	**J=G+I**	**6,145**	**2,435**
Medium/long term borrowing allowed to affiliates companies and other Group companies	K	(92)	(95)
(NET FINANCIAL POSITION) NET DEBT	**L=J+K**	**6,053**	**2,340**

At 30 June 2017 the Group had net financial debt of €6.06 million due to the disbursement to support current operations and investments made in the various business areas.

11 – Shareholders' equity

The schedule below shows the composition of shareholders' equity at 30 June 2017 and 31 December 2016:

(€'000)	at June 30, 2017	at December 31, 2016
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(52,627)	(41,722)
Group shareholders' equity	**92,652**	**103,557**
Equity attributable to minority interest	**0**	**0**
Total shareholders' equity	**92,652**	**103,557**

The share capital at 30 June 2017 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 2017 amounted to €1.38 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 €11.56 million was generated by inclusion in the condensed consolidated interim 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 €59.03 million and comprised the Parent Company's surplus reserve, formed by losses carried forward, allocations of retained earnings from prior years and other reserves of miscellaneous origin. The change in the year is to be attributed to allocation of the 2016 results and to the recognition of the Performance Share Plan as described in Note 31. As pointed out in Note 31, to which the reader is referred, the Shareholders' Meeting of 22 April 2016 approved and incentive plan for some parties of the Group, whose accounting policies are regulated by IFRS 2.
According to the text of IFRS 2, the plan in question is a component of the beneficiaries' remuneration. For the plans that remunerate in equity instruments, the cost is represented by the fair value of these instruments calculated on the grant date, and is recognised under "Payroll costs" (in the case of Company employees) and under "Service costs" along the period elapsing between the assignment date and the vesting date, with a shareholders' equity reserve called "Incentive plan in shares reserve" as its contra entry. The changes in fair value after the assignment date have no effect on the initial measurement.

The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IAS 39, was negative for €11 thousand and increased by €1 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 €3.98 thousand and decreased by €2.91 million gross of the related tax effect; again it was not recorded due to the absence of the prerequisites.

At the end of the reporting period, the Parent Company Eurotech S.p.A. held 1,319,020 treasury shares (same amount at 31 December 2016). There was no transaction during the year.

12 – Base and diluted earnings (losses) 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, 2017	at December 31, 2016
Net income (loss) attributable to parent company shareholders	(7,017,000)	(5,069,000)
Weighted average number of ordinary shares including own shares	35,515,784	35,515,784
Own shares	(1,319,020)	(1,319,020)
Weighted average number of ordinary shares except own shares	34,196,764	34,196,764
Weighted average number of ordinary shares except own shares for share diluted	34,196,764	34,196,764
Net income (loss):		
- per share	(0.205)	(0.148)
- per share diluted	(0.205)	(0.148)

13 - Borrowings

The following table shows the breakdown of short- and medium-/long-term borrowings at 30 June 2017:

LENDER	COMPANY	BALANCE ON 31.12.2016	BALANCE ON 30.06.2017	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months	Long term Over 5 years
CURRENT OUTSTANDINGS - (a)		4,018	5,636	5,636	-	-	-
Ministero dell'Istruzione, dell'Università e della Ricerca	Eurotech S.p.A.	26	17	17	-	-	-
Ministero dell'Istruzione, dell'Università e della Ricerca	Eurotech S.p.A.	534	458	152	306	306	-
FCA Bank	Eurotech S.p.A.	34	26	14	12	12	-
Toyota Financial Service	Eurotech S.p.A.	21	19	3	16	16	-
Unicredit Leasing	Eurotech S.p.A.	81	70	23	47	47	-
BCC Lease	Eurotech S.p.A.	26	22	8	14	14	-
Finance Lease	Advanet Inc.	30	-	-	-	-	-
Finance Lease	Eurotech Inc	59	38	18	20	20	-
TOTAL OTHER FINANCINGS		811	650	235	415	415	-
Iccrea Banca Impresa	Eurotech S.p.A.	1,031	779	515	264	264	-
Total Group Iccrea		***1,031***	***779***	***515***	***264***	***264***	***-***
Banca Pop. Friuladria	Eurotech S.p.A.	837	674	334	340	340	-
Total Credit Agricole		***837***	***674***	***334***	***340***	***340***	***-***
Veneto Banca	Eurotech S.p.A.	100	33	33	-	-	-
Total Veneto Banca		***100***	***33***	***33***	***-***	***-***	***-***
The Chugoku Bank Ltd	Advanet Inc.	1,552	3,508	1,462	2,046	2,046	-
Total The Chugoku Bank Ltd		***1,552***	***3,508***	***1,462***	***2,046***	***2,046***	***-***
Bcc Carnia e Gemonese	Eurotech S.p.A.	676	510	338	172	172	-
Bcc Carnia e Gemonese	Eurotech S.p.A.	150	-	-	-	-	-
Cassa Rurale della Valle dei Laghi	EthLab S.r.l.	122	98	98	-	-	-
Total Credito Cooperativo Banks		***948***	***608***	***436***	***172***	***172***	***-***
Unicredit	Eurotech S.p.A.	1,430	2,234	726	1,508	1,508	-
Total Unicredit Group		***1,430***	***2,234***	***726***	***1,508***	***1,508***	***-***
Banco popolare	Eurotech S.p.A.	958	711	501	210	210	-
Total Banco Popolare Group		***958***	***711***	***501***	***210***	***210***	***-***
TOTAL BANK DEBT - (c)		6,856	8,547	4,007	4,540	4,540	-
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		7,667	9,197	4,242	4,955	4,955	-
TOTAL DEBT - [(a) + (b) + (c)]		11,685	14,833	9,878	4,955	4,955	-
RECLASSIFICATION OF CURRENT SUBJECT TO COVENANT FUNDING		-	-	436	(436)	(436)	-
TOTAL DEBT AFTER RECLASSIFICATION		11,685	14,833	10,314	4,519	4,519	-

A new loan was contracted with Unicredit Banca during the first half of 2017 for €1 million and with Chugoku Bank for €2.35 million, while portions of medium/long-term loans falling due were paid in the amount of €1.82 million.

The reclassification regards two loans granted to the Parent Company at the end of 2014 by two banks Unicredit, the residual amount of which amounted to €853 thousand at 30 June 2017 (of which €436 thousand originally at medium- to long-term) falling due at the end of 2018 to support the corporate development plans. These loans are subject to covenants (which include the possibility of early repayment or increase in the interest rate spread) with annual verification based on the consolidated financial statements of 31 December. These covenants relate to debt to equity and debt to EBITDA, as adjusted by extraordinary and non-recurring capital losses/gains. Failure to observe one of the covenants at 31 December 2016 resulted in the expiry of the benefit of the term. The Parent Company has requested a waiver letter from the lending institutions, but at the reporting date this had not yet been obtained; the bank informally notified maintenance of the loans to the maturity date. Nevertheless, the Parent Company has continued to reclassify these entire loans as short term.

14 - Employee benefits

The table below shows the breakdown of employee benefits at 30 June 2017 and 31 December 2016:

(€'000)	at June 30, 2017	at December 31, 2016
Employees' leaving indemnity	310	300
Foreing Employees' leaving indemnity	2,032	2,040
Employees' retirement fund	94	97
TOTAL EMPLOYEES' BENEFITS	**2,436**	**2,437**

Defined benefit plans

The Group has defined benefit pension plans both in Italy and Japan, and these require contributions to a separately managed fund.
IAS 19R was applied retroactively starting from 1 January 2012. As a result, the expected return of the assets servicing the defined-benefit plan was not booked to the income statement. The interest on the net liabilities of the defined-benefit plan (not including the plan assets) was, however, booked to the income statement. Interest is calculated using the discount rate used to measure the net assets or liabilities of the pension plan.
In addition, the past service cost (not vested) can no longer be deferred to the future vesting period. All past service costs are instead recognised in the income statement at the date of the plan's amendment or at the date of recognition of the related restructuring costs or cessation of the employment relationship, whichever is earlier. Until 2012, unvested past servicing costs were recognised on a straight-line basis over the plan's average vesting period. With the move to IAS 19R, past service costs are recognised immediately in the income statement if the benefits vest immediately with the introduction or modification of the pension plan.

The changes in the items Italian and foreign "pension fund" were as follows:

	Defined benefit plans			
	Italy		Japan	
(€ '000)	at June 30, 2017	at December 31, 2016	at June 30, 2017	at December 31, 2016
Liabilities at start of period	300	324	2,040	1,708
Cost relating to present service	102	18	71	148
Finance expense	1	7	0	16
Other changes	0	0	(73)	102
Benefits paid out	(93)	(52)	(6)	(19)
Actuarial loss (gain) reconised	0	3	0	85
Liabilities at end of period	310	300	2,032	2,040

15 - Reserve for risks and charges

The schedule below shows the composition and changes of provisions for risks and charges at 30 June 2017 and 31 December 2016:

(€'000)	at December 31, 2016	Provision	Utilization	Other	at June 30, 2017
Selling agents' commission fund	62	2	-	-	64
Director termination fund	117	9	(88)	(1)	37
Guarantee reserve	375	5	(56)	(20)	304
Busting depreciable asset	315	-	-	(11)	304
TOTAL FUNDS FOR COSTS AND FUTURE RISKS	**869**	**16**	**(144)**	**(32)**	**709**

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

The cumulative provision for directors' termination indemnity refers to the indemnity recognised for directors with powers set out in by the bylaws of the Company or its subsidiaries. This indemnity is generally paid at the end of the mandate of the Board in office and is provisioned for periodically for the relevant share. The portion relating to the CEO of the Parent Company was liquidated during the period.

The product warranty provision is allocated based on the expectations of the charge to incur for non-fulfilment of the warranty commitment on products sold at year-end.

The asset disposal reserve was allocated in response to an obligation for future costs that a number of Japanese companies of the Group will incur in future years for the disposal, demolition, disassembly, and removal of a number of assets, and improvements to leased property, at the end of their useful lives or of the lease agreement.

16 - Trade payables

The schedule below shows the composition of trade payables at 30 June 2017 and 31 December 2016:

(€'000)	at June 30, 2017	at December 31, 2016
Third parties	9,062	13,159
Related companies	153	300
TOTAL TRADE PAYABLES	**9,215**	**13,459**

Trade payables at 30 June 2017 came to €9.21 million, decreasing by €4.24 million compared with 31 December 2016. Trade payables are non-interest bearing and, on average, are settled 90-120 days after invoice date.

17 – Other current liabilities

The schedule below shows the composition of other current liabilities at 30 June 2017 and 31 December 2016:

(€'000)	at June 30, 2017	at December 31, 2016
Social contributions	336	522
Other	3,412	2,934
Advances from customers	825	194
Grants advances	1,024	1,446
Other tax liabilities	267	316
Accrued expanses	248	130
TOTAL OTHER CURRENT LIABILITIES	**6,112**	**5,542**

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

18 – Costs of raw & auxiliary materials and consumables used

(€'000)	1H 2017	1H 2016
Purchases of raw materials, semi-finished and finished products	13,008	14,955
Changes in inventories of raw materials	(69)	(25)
Change in inventories of semi-finished and finished products	(809)	(721)
TOTAL COST OF MATERIALS	**12,130**	**14,209**

Costs of raw & auxiliary materials and consumables used show a 14.6% decrease in the period under review, from €14.21 million in the first half of 2016 to €12.13 million in the first half of 2017. The decrease reflects the lower turnover developed in the first half of 2017 compared with the previous period and the different mix of products.

19 – Other operating costs net of cost adjustments

(€'000)	1H 2017	1H 2016
Service costs	5,807	6,091
Rent and leases	898	887
Payroll	9,397	10,219
Accruals and other costs	377	379
Cost adjustments for in-house generation of non-current assets	(1,114)	(944)
Operating costs net of non recurrent costs and of cost adjustments	**15,365**	**16,632**

The other operating costs item in the table above, net of cost adjustments for internal increases, decreased from €16.63 million in the first half of 2016 to €15.36 million in the first half of 2017.

The other provisions and costs include an allocation to the doubtful debt provision of €49 thousand.

20 – Service costs

(€'000)	1H 2017	1H 2016
Industrial services	2,395	2,386
Commercial services	1,271	1,481
General and administrative costs	2,141	2,224
Total costs of services	**5,807**	**6,091**

Services costs decreased by 4.7% between the periods under review, from €6.09 million to €5.81 million, due to the attentive cost policy, rationalisations and efficiency measures taken in several geographical areas.

21 – Payroll costs

(€'000)	1H 2017	1H 2016
Wages, salaries and Social Security	9,011	9,731
Severance indemnities	173	205
Other costs	213	283
Total cost of personnel	**9,397**	**10,219**

In the first half of the year, payroll costs decreased. This net decrease is due to a fewer average number of employees in the periods compared following operations carried out to reorganise the workforce in some geographical areas during the early months of the current year.

As the table below illustrates, the number of Group employees decreased at the end of the last period, down from 321 units at 2016 year-end to 303 units at the end of the first half of 2017.

Employees	at June 30, 2017	at December 31, 2016	at June 30, 2016
Management	3	3	3
Clerical workers	283	294	297
Line workers	17	24	23
TOTAL	**303**	**321**	**323**

22 – Cost adjustments for internally generated non-current assets

At 30 June 2017, cost adjustments for internally generated non-current assets amounted to €1,114 thousand (vs. €944 thousand at 30 June 2016). All this refers entirely to the capitalisation of costs for internal staff, materials and services incurred for new-product development projects in the field of NanoPC modules and systems in the field of machine-to-machine/Internet of Things SW platforms. More specifically, if these costs had been deducted from the corresponding income statement item, there would have been a reduction of €85 thousand in materials costs (€212 thousand at 30 June 2016), €598 thousand in payroll costs (€432 thousand at 30 June 2016) and €431 thousand in services costs (€300 thousand at 30 June 2016).

23 – Other revenues

(€'000)	1H 2017	1H 2016
Government grants	468	16
Sundry revenues	626	1,913
Total other revenues	**1,094**	**1,929**

In 2016, the "Other revenues" item includes €1,705 thousand of capital gain earned from sale of the IPS Sistemi Programmabili S.r.l. business unit referred to in Note 30.

24 – Amortisation, depreciation and write-downs

(€'000)	1H 2017	1H 2016
Amortisation of intangile assets	2,072	2,107
Amortisation of property, plant and equipment	384	425
Total amortisation and depreciation	**2,456**	**2,532**

Amortisation, depreciation and write-downs went from €2.53 million in the first half of 2016 to €2.46 million in the first half of 2017. This change is mainly due to the exchange rate effect of the values, which were originally stated in foreign currency and not in euro.
Amortisation relating to PPA relates exclusively to customer relationships (€1.22 million, compared with €1.19 million at 30 June 2016).
No fixed assets were written down during the half-year.

25 – Financial charges and income

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

(€'000)	1H 2017	1H 2016
Exchange-rate losses	1,112	414
Interest expenses	173	191
Expenses on derivatives	4	2
Other finance expenses	25	95
Financial charges	**1,314**	**702**

(€'000)	1H 2017	1H 2016
Exchange-rate gains	378	550
Interest income	18	8
Other finance income	10	3
Financial incomes	**406**	**561**

The "Other financial charges" item as at 30 June 2016 includes the write-down for impairment of the value of the Veneto Banca Holding S.c.a.r.l. shares to adapt it to the current market value during the half-year, which amounted to €76 thousand.
The performance in financial operations was influenced by exchange rate gains that in the first six months of 2017 were negative for €734 thousand compared to a net positive effect in the first six months of 2016 for €136 thousand.

26 – Income tax for the period

Income taxes at 30 June 2017 were positive for €861 thousand (deriving from the net effect of expenses for current taxes totalling €114 thousand and income totalling €975 thousand, relating to the deferred taxes) compared to an again positive effect of €259 thousand at 30 June 2016 (caused by the net effect of expenses for current taxes totalling €264 thousand and income totalling €523 thousand, relating to the deferred taxes), recording a positive change of €602 thousand.

(€'000)	1H 2017	1H 2016
IRES (Italian corporate income tax)	109	93
IRAP (Italian Regional business tax)	0	3
Foreign current income taxes	5	168
Total current income tax	**114**	**264**
Net (prepaid) deferred taxes: Italy	0	0
Net (prepaid) deferred taxes: Non-italian	(975)	(523)
Net (prepaid) deferred taxes	**(975)**	**(523)**
TOTAL INCOME TAXES	**(861)**	**(259)**

Advanced tax assets at 30 June 2017 amounted to €1.84 million (31 December 2016: €1.46 million) and mainly relate to the taxes calculated on the inventory write-down provision, the doubtful debt provision and other deductible costs of previous years.
Deferred tax liabilities at 30 June 2017 amounted to €3.28 million (31 December 2016: €3.77 million) and mainly relate to the tax effects on PPA. The increase 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

27 – Related-party transactions

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

Name	Location	Currency	% of ownership 30.06.2017	% of ownership 31.12.2016
Subsidiaries				
Aurora S.r.l.	Italy	Euro	100.00%	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Italy	Euro	100.00%	100.00%
ETH Lab S.r.l.	Italy	Euro	100.00%	100.00%
Eurotech France S.A.S.	France	Euro	100.00%	100.00%
Eurotech Ltd.	UK	GBP	100.00%	100.00%
E-Tech Inc.	United States	USD	100.00%	100.00%
Eurotech Inc.	United States	USD	100.00%	100.00%
ETH Devices S.r.o. in liquidation (3)	Slovakia	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. (2)	China		-	45.00%
eVS embedded Vision Systems S.r.l. (2)	Italy		24.00%	24.00%
Rotowi Technologies S.p.A. in liquidation (ex U.T.R.I. S.p.A.) (3)	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) Classify as 'Non-current assets classified as held for sale'

(3) 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	-	-	418	-	-	-
eVS embedded Vision Systems S.r.l.	-	-	12	-	-	16
Total	**-**	**-**	**430**	**-**	**-**	**16**
Other related parties						
Leonardo Group	370	-	-	-	606	137
Kairos Autonomi	-	4	-	92	-	-
Total	**370**	**4**	**-**	**92**	**606**	**137**
Total with related parties	**370**	**4**	**430**	**92**	**606**	**153**
% impact on line item	**1.7%**	**1.0%**	**2.3%**	**100.0%**	**6.3%**	**1.7%**

28 – Financial risk management: objectives and criteria

The Group's financial instruments, other than derivative contracts, include bank loans in the various technical forms, financial leases, short-term and at-sight bank deposits. These instruments are intended to finance Group operations. The Group has several other receivable and payable financial instruments at its disposal, such as trade receivables arising from operations and liquidity. The Group also had transactions in derivatives, mainly swap or collar transactions on interest rates. The objective is to manage interest rate risks caused by Group transactions and by its sources of finance.

In accordance with Group policies, no speculative derivatives have been entered into.

The main risks generated by Group financial instruments are interest rate risks, exchange risks, liquidity risks and credit risks. The Board of Directors has reviewed and agreed to the policies for managing these risks, as summarised below.

Interest rate risk
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. The Group signed interest rate swap contracts 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 2017, approximately 63.6% of Group loans had a fixed interest rate (in the first half of 2016 the percentage was about 50.6%). As for the loans in place at the Japanese company, they were taken up at fixed rate since it is more advantageous than those at variable rate.

Exchange rate risk
In view of the significant investment transactions in the US, Japan and the UK, with substantial foreign currency cash flows from business and financial operations, the Group's financial statements could be significantly affected by changes in the USD/EUR, 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 85.2% of sales of goods and services (30 June 2016: 79.1%) and 74.0% (30 June 2016: 71.2%) 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 this consolidated interim financial report.

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

Credit risk
The Group trades only with known and reliable customers. The Group's policy is to check the creditworthiness grade of customers that request extended payment arrangements. In addition, the balance of receivables is monitored during the year so that the amount of non-performing positions is not significant. Only some receivables from key customers are insured.
Financial assets, recorded by trading date, are recognised in the financial statements net of write-downs calculated according to the risk of counterparty default, taking into account the information available on the customer's level of solvency and historical data.
There is no significant concentration of credit risk in the Group although situations may occur in the different years in which a single customer has generated revenue 10% higher than total turnover.
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 states that no more than 40% of loans must fall due within 12 months.

At 30 June 2017, 46.1% of Group financial payables will accrue within one year (first half of 2016: 34.0%), based on the balances of the original plans. Both values were different from those shown in the financial statement balances, as, due to informal agreements with banks, no risk of early repayment is not believed to exist.

Measurement of fair value and relative hierarchical valuation 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. As required by IFRS13 the company analysed each of its financial assets and liabilities to determine the effect of their measurement at fair value. 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 2017 and on the respective comparison figures.

At 30 June 2017, the Group held the following financial instruments measured at fair value:

(€'000)	Notional value at June 30, 2017	Fair value at June 30, 2017 (debit)	Fair value at June 30, 2017 (credit)	Notional value at December 31, 2016	Fair value at December 31, 2016 (debit)	Fair value at December 31, 2016 (credit)
Cash flow hedge						
Contracts Interest Rate Swap (IRS)	1,953	0	(11)	1,134	0	(12)

All the assets and liabilities measured at fair value at 30 June 2017 are at Level 2 of the fair value measurement scale. In addition, during the first six months of 2017 there were no transfers from Level 1 to Level 2 or Level 3, or vice versa.

29 – 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. As required by IFRS13 the company analysed each of its financial assets and liabilities to determine the effect of their measurement at fair value.

Interest rate risk

Interest on financial instruments classified as variable-rate instruments is recalculated periodically during the financial year. Interest on financial instruments classified as fixed-rate instruments is kept constant until the maturity date of the instruments concerned.

Hedging

Cash flow hedges

As at 30 June 2017, the Group holds three interest rate swap contracts (for total notional residual amounts of €1.95 million), one of which signed in the first half-year and designated as instruments to hedge interest rate risk.

	Due date	*Fixed rate*	*Floating rate*	*Market value (€'000)*
Interest rate swap contracts				
€616,952	29 May 2020	0.35%	Euribor 3 month	(6)
€1,000,000	29 May 2020	0.00%	Euribor 3 month	(3)
€336,433	21 January 2019	0.37%	Euribor 3 month	(2)

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 €1 thousand and decreased the cash flow hedge reserve as a direct reduction of equity to -€11 thousand in total.

30 – Assets disposed of during the first half of 2016

The item shows an amount referring to the first half of 2016 only.
This figure refers to the transaction carried out on 29 February 2016 by the subsidiary IPS Sistemi Programmabili S.r.l., which signed an agreement to sell the Security and Traffic business unit. The consideration of the transaction was set by the parties at €2.45 million. This amount was adjusted based on the working capital of the business unit at 29 February, which proved to be negative in Eurotech's favour for €108 thousand. The consideration of €2.45 million was collected on the date the contract of sale was signed, while the adjustment that had been defined by the parties was entirely settled by the end of 2016.

In application of "IFRS5 - Non-current assets held for sale and discontinued operations", the financial results of the business unit sold remained classified to the balance sheet items by nature, as the transaction did not fall under the category of major line of business.
The capital gain coming from the sale was, as a result, classified under the item "Other revenues" at 30 June 2016, and amounted to €1,705 thousand.

31 - Share-based payments

On 22 April 2016 the Shareholders' Meeting of the company approved adoption of an incentive plan for only parties who have a directorship position and/or an employment contract and/or a freelance collaboration or consultancy agreement and who have key functions in the Group organisation chart; the plan is called "2016 EUROTECH S.p.A. Performance Share Plan" (hereinafter "PPS 2016").
The PPS 2016 establishes that the beneficiaries, identified by the company's Board of Directors, are assigned the right (Unit) to receive Eurotech S.p.A. shares free of charge provided that they have a contract with the company or with one of the subsidiaries on the respective Assignment Date. The Units assigned are subject to a retention period lasting 2 (two) years starting from the respective Assignment Date; during the Retention Period, the assigned Units cannot accrue unless the contract is terminated as a good leaver (for example: dismissed by the company not for just cause, death, the Beneficiary's retirement and loss of the condition of Subsidiary by the employer company of the Beneficiary).
The Board of Directors assigned 63,000 units to beneficiaries during 2017, either directly or through their delegate.

	Year 2017			Year 2016		
	No. Units granted	Value of the assign units (€/000)	Value of the units for teh period (€/000)	No. Units granted	Value of the assign units (€/000)	Value of the units for teh period (€/000)
Perfornance Share Plan 2016						
Nr. Unit at the begining of the period	432,000	542	134	-	-	-
Nr. Unit Granted during period	63,000	96	12	432,000	542	60
Nr. Unit Cancelled during period	-	-	-	-	-	-
Nr. Unit assigned during period	-	-	-	-	-	-
Nr. Unit Outstanding at the end of the period	495,000	638	146	432,000	542	60

The total cost of the units assigned was €638 thousand, and this cost is recognised along the 24-month vesting period. As at the date of 30 June 2017, the company had recorded a cost of €146 thousand in the income statement, whose contra entry was recognised in shareholders' equity.

32 – Events after the reporting period

On 5th September 2017, the Board of Directors of Eurotech S.p.A. resolved on the merger of Dynatem Inc. into Eurotech Inc. on the corporate organization of American companies.
There were no other significant events after the closing of the consolidated financial report at 30 June 2017.

33 – 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 purchases scheduling. The trend has continued and is accentuated in the Group's current order book for financial year 2017.

Certification of the Condensed Consolidated Interim Report

Pursuant to Article 154-bis, Part IV, Title III, Chapter II, Section V-bis of Italian Legislative Decree no. 58 of 24 February 1998: "Consolidated act on measures relating to financial intermediation, pursuant to Articles 8 and 21 of Italian 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 S.p.A., 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 adequacy in relation to 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 2017.

2) Valuation of the adequacy of the administrative and accounting procedures for the formation of the condensed financial statements at 30 June 2017 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 results in the corporate books and accounting records
   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 interim 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), 07 September 2017

Eurotech S.p.A.

Signed Roberto Siagri
Chief Executive Officer

Signed Sandro Barazza
Financial Reporting Manager

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REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Eurotech SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Eurotech SpA and its subsidiaries (the Eurotech Group) as of 30 June 2017, comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related explanatory notes. The directors of Eurotech SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the Eurotech Group as of 30 June 2017 are not prepared, in all material respects, in accordance with the International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Udine, 7 September 2017

PricewaterhouseCoopers SpA

Signed by

Maria Cristina Landro
(Partner)

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

PricewaterhouseCoopers SpA

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