

EUROTECH: REVENUE AS AT 30 SEPTEMBER 2018 + 49.1% TO €56.97 MILLION, EBITDA €5.61 MILLION (9.8% OF REVENUES) AND NET PROFIT € 3.38 MILLION (5.9% OF REVENUES)

Consolidated interim management statement as at 30 September 2018 approved by the Board of Directors

Amaro (UD), 13 November 2018

- Consolidated revenue: from € 38.21 million to € 56.97 million
- Consolidated gross profit: from € 18.27 million to € 27.48 million
- Consolidated EBITDA: from € -2.86 million to € 5.61 million
- Consolidated EBIT: from € -6.46 million to € 4.15 million
- Consolidated result before taxes: from € -7.88 million to € 3.99 million
- Group net result: from € -7.15 million to € 3.38 million
- Net financial debt: € 1.15 million
- Group equity: from € 96.97 million

The Board of Directors of Eurotech S.p.A has today examined and approved the results of the first nine months of 2018 and the third quarter of 2018.

The Chief Executive Officer Roberto Siagri stated: “As demonstrated by the results approved today by the Board of Directors, Eurotech’s growth has continued in a sustained manner also in the third quarter of the year. Both the American and European areas show a net growth, which will also drive the Group’s growth into 2019.”

FIRST NINE MONTHS OF 2018

The third quarter confirmed the positive sales performance that the Group had already reported in the first six months and which has been continuing since the start of the second half of 2017.

Group revenues in the first nine months of 2018 totalled €56.97 million, up by 49.1% compared to the same period of 2017 when turnover was €38.21 million. At constant exchange rates, the increase would be higher still, 56.7%.

Positive results are shown for the fifth quarter in a row, demonstrating that the company has entered a new phase of growth. All of the geographical areas generated a higher turnover than the previous year and the steadiness of the growth trend indicates its solidity. At the end of September, orders for 2019 were up 30% compared to the same period in 2017 for the following year, and this is a further indication that the growth trend will continue into the next quarters, sustained in particular by the American and European areas that, in the first nine months of 2018, have shown higher growth rates.

It is useful to observe how the growth so far has been achieved to a large extent with the traditional business of embedded computers – in the form of boards and systems – and that, therefore, the potential of the new IoT sector is not yet apparent. In particular, the American area has benefited from an upturn in medium and long term investments by companies in that area, both in terms of historical and new customers. The European area, on the other hand, has benefited in particular from business growth with new customers in Germany, where the HPEC (High Performance Embedded Computer) proposition has found interest in application for self-driving vehicles while the technological excellence of the IoT offer is proving capable of competing and winning over local competitors, as witnessed by the DB Cargo design win announced on 18 September.

In the IoT sector, thanks to the innovative value proposition and the continuous implementation of the partner ecosystem, growth has continued for POCs (Proof of Concept) completed in all geographical areas. The first orders for implementation stages by Customers for their IoT projects using Eurotech technology are now being received. The management team are counting on IoT implementations for B2B and B2B2C customer to boost the Group's future growth and expects an increase in orders in 2019.

The current situation of long procurement times for electronic components is partially slowing down the conversion of orders to turnover, but has not had any effects on the Group's ability to win new orders in all geographical areas.

In view of the order book level and current delivery times, Management expects a turnover for the fourth quarter in line with that of last year.

The gross profit in the period was €27.48 million, accounting for 48.2% of revenues, a slight increase compared to 47.8% in 9M17 and in line with 48.5% in 12M17.

Taking into consideration operating costs, the operating leverage activation can be analysed by the percentage on turnover represented by operating costs: this percentage fell from 62.8% in 9M17 to 42.7% in 9M18. The growth of the organisational structure supporting the growth in turnover is being implemented according to necessity and with caution: management focus on operating costs is demonstrated by the fact that the same, before adjustments, increased by only €0.36 million (from €23.98 million in 9M17 to €24.34 million in 9M18), corresponding to 1.5% of the total, while revenues grew 49.1%.

Payroll costs were equal to €13.58 million, with an incidence on revenues of 23.8%, sharply down with respect to the same period of the previous year (35.9%). The workforce at 30 September 2018 was 300 (294 at 31 December 2017 and 298 at 30 September 2017), with an average for the period of 297.5 employees.

EBITDA for the first nine months totalled €5.61 million (9.8% of revenues) compared with €-2.86 million in 2017 (-7.5% of revenues), thus reflecting both gross profit and operating costs trends.

EBIT came to €4.15 million in 9M18 (7.3% of revenues), compared to €-6.46 million in 9M17 (-16.9% of revenues). The EBIT figure also reflects the effects of depreciation and amortisation charged to the income statement in 9M18, as well as the trend in EBITDA mentioned previously. The depreciation and amortisation recognised in 2017 included €1.78 million representing the impact of the price allocation for the purchase of Advanet Inc.. As the impact of the price allocation ended in 2017, it has no effect on 2018 figures.

A pre-tax profit of €3.99 million was registered for 9M18 (compared with a loss of €7.88 million in 9M17). This performance was influenced by the factors outlined above. The effects of price allocation on the pre-tax result amounted to €1.78 million only for 9M17.

The Group net result amounted to €3.38 million (€-7.15 million in 9M17). This not only reflects the changes in the pre-tax result, but it also benefits from the use of tax losses not recognised at 31 December 2017, which amount to €60.7 million in total and are present to a greater extent in the parent company Eurotech S.p.A. and to a lesser extent in the American company Eurotech Inc..

The Group's net financial debt as at 30 September 2018 is €1.15 million, a sharp reduction compared with the amount of €5.84 million at the end of 2017, due to the effect of cash flows of €7.23 million generated by operating activities.

Again as at 30 September 2018, net working capital amounted to €16.76 million, down from €17.72 million as at 31 December 2017 and €17.21 million as at 30 June.

THIRD QUARTER OF 2018

With regard to the third quarter, all of the Group's indices were positive, as they were in the previous quarters.

In particular, total turnover was €19.65 million (€16.20 million in 3Q17), up 21.3% compared to the same quarter the year before; the value of the turnover of the quarter corresponds to 34.5% of the turnover of the nine-month period, while the same quarter in 2017 was 42.4% of the nine months' turnover.

Gross profit (48.1%) in the quarter under review was in line with that recorded in the past quarters, while due to the different sales mix, it was lower than the figure of the same period of 2017 (9M17: 51.8%).

The interim results show the impact of the operating leverage, generated thanks to the turnover recorded; furthermore, they are due to the ability to maintain gross profit at plan levels and a prudent operating cost monitoring policy. 3Q18 EBITDA was positive for €1,982 thousand (10.1% of revenues of the quarter), while it was also positive for €1,535 thousand in the 3Q17 (9.5% of revenues).

EBIT in 3Q2018 was also positive and influenced by the margins described, totalling €1,471 thousand (7.5% as a percentage of revenues), versus a positive result of €389 thousand (2.4% of revenues) in the same period of 2017. The negative impact of the price allocation on EBIT only affected 2017, amounting to €566 thousand.

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

Appointment of the new Internal Auditor

The Board of Directors today, following the resignation of Mr. Stefano Bertoli, has appointed Mrs. Tania Pinzano as Internal Auditor.

It should be noted that, in accordance with the dispositions of the National Commission for Companies and the Stock Exchange, the Interim Consolidated Management Report as at 30 September 2018 is available to anyone forwarding a request to the registered office. The Report is also available on Eurotech's website www.eurotech.com (Investors section) and on the Centralised Information portal "1Info", www.1info.it.

The Financial Reporting Manager of Eurotech S.p.A, Mr Sandro Barazza, hereby certifies, pursuant to paragraph 2 of Art. 154-bis of the Consolidated Law on Finance (TUF), that the financial information in this press release accurately reflects the company's accounting figures, books and records.

THE EUROTECH GROUP

Eurotech (ETH:IM) is a multinational company designing, developing and supplying solutions for the Internet of Things, together with services, software and hardware, to the major system integrators and to large and small companies. By adopting Eurotech solutions, customers can access the most recent open-source software stacks and standards, flexible and robust multi-services gateways and sophisticated sensors, for the purpose of gathering field data and making it usable by company processes. In collaboration with numerous partners in a global ecosystem, Eurotech contributes to the implementation of the Internet of Things, supplying "best of class" complete solutions or individual building-blocks, from the management of devices and of data to connectivity and communication platforms, from intelligent peripheral devices to "smart" objects with business models suitable to the world of modern business. For more information on Eurotech, see www.eurotech.com

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ANNEXES - FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT									
(€ '000)	3rd Qtr 2018	%	3rd Qtr 2017	%	9M 2018 (b)	%	9M 2017 (a)	%	change (b-a)
									amount %
Sales revenue	19,652	100.0%	16,203	100.0%	56,974	100.0%	38,206	100.0%	18,768 49.1%
Cost of material	(10,206)	-51.9%	(7,806)	-48.2%	(29,494)	-51.8%	(19,936)	-52.2%	9,558 -47.9%
Gross profit	9,446	48.1%	8,397	51.8%	27,480	48.2%	18,270	47.8%	9,210 50.4%
Services costs	(3,129)	-15.9%	(2,639)	-16.3%	(9,007)	-15.8%	(8,446)	-22.1%	561 -6.6%
Lease & hire costs	(402)	-2.0%	(402)	-2.5%	(1,225)	-2.2%	(1,300)	-3.4%	(75) 5.8%
Payroll costs	(4,673)	-23.8%	(4,301)	-26.5%	(13,582)	-23.8%	(13,698)	-35.9%	(116) 0.8%
Other provisions and costs	(114)	-0.6%	(164)	-1.0%	(527)	-0.9%	(541)	-1.4%	(14) 2.6%
Other revenues	854	4.3%	644	4.0%	2,472	4.3%	2,852	7.5%	(380) -13.3%
EBITDA	1,982	10.1%	1,535	9.5%	5,611	9.8%	(2,863)	-7.5%	8,474 -296.0%
Depreciation & Amortization	(511)	-2.6%	(1,146)	-7.1%	(1,459)	-2.6%	(3,602)	-9.4%	(2,143) -59.5%
EBIT	1,471	7.5%	389	2.4%	4,152	7.3%	(6,465)	-16.9%	10,617 164.2%
Share of associates' profit of equity	0	0.0%	(118)	-0.7%	0	0.0%	(121)	-0.3%	(121) 100.0%
Subsidiaries management	0	0.0%	113	0.7%	(19)	0.0%	0		
Finance expense	(162)	-0.8%	(612)	-3.8%	(811)	-1.4%	(1,926)	-5.0%	(1,115) -57.9%
Finance income	74	0.4%	226	1.4%	671	1.2%	632	1.7%	39 6.2%
Profit before tax	1,383	7.0%	(2)	0.0%	3,993	7.0%	(7,880)	-20.6%	11,873 150.7%
Income tax	81	0.4%	(135)	-0.8%	(616)	-1.1%	726	1.9%	1,342 184.8%
Net profit (loss) of continuing operations before minority interest	1,464	7.4%	(137)	-0.8%	3,377	5.9%	(7,154)	-18.7%	10,531 147.2%
Minority interest	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0 n/a
Group net profit (loss) for period	1,464	7.4%	(137)	-0.8%	3,377	5.9%	(7,154)	-18.7%	10,531 147.2%
Base earnings per share					0.099		(0.209)		
Diluted earnings per share					0.099		(0.209)		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at September 30, 2018	of which related parties	at December 31, 2017	of which related parties
ASSETS				
Intangible assets	82,886		79,968	
Property, Plant and equipment	2,456		2,436	
Investments in affiliate companies	0		0	
Investments in other companies	132		144	
Deferred tax assets	1,313		1,283	
Medium/long term borrowing allowed to affiliates companies and other Group companies	86	86	83	83
Other non-current assets	630		618	
Total non-current assets	87,503		84,532	
Inventories	22,296		17,821	
Contracts in progress	86	86	412	412
Trade receivables	13,967	988	15,623	252
Income tax receivables	218		204	
Other current assets	1,764		1,782	
Other current financial assets	98	9	95	5
Cash & cash equivalents	8,541		6,745	
Total current assets	46,970		42,682	
Non-current assets classified as held for sale	19		28	
Total assets	134,492		127,242	
LIABILITIES AND EQUITY				
Share capital	8,879		8,879	
Share premium reserve	136,400		136,400	
Other reserves	(48,312)		(54,582)	
Group shareholders' equity	96,967		90,697	
Equity attributable to minority interest	0		0	
Total shareholders' equity	96,967		90,697	
Medium-/long-term borrowing	2,026		1,844	
Employee benefit obligations	2,402		2,343	
Deferred tax liabilities	2,935		2,816	
Other non-current liabilities	743		688	
Total non-current liabilities	8,106		7,691	
Trade payables	14,732	137	13,088	149
Short-term borrowing	7,842		10,720	
Derivative instruments	4		9	
Income tax liabilities	319		262	
Other current liabilities	6,522		4,775	
Total current liabilities	29,419		28,854	
Total liabilities	37,525		36,545	
Total liabilities and equity	134,492		127,242	

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2017	8,879	1,385	136,400	8,817	(58,830)	(9)	(456)	2,280	(3,097)	(4,672)	90,697	-	90,697
2017 Result allocation	-	-	-	-	(4,672)	-	-	-	-	4,672	-	-	-
Profit (loss) as at September 30, 2018	-	-	-	-	-	-	-	-	-	3,377	3,377	-	3,377
Comprehensive other profit (loss):													
- Hedge transactions	-	-	-	-	-	5	-	-	-	-	5	-	5
- Foreign balance sheets conversion difference	-	-	-	1,181	-	-	-	-	-	-	1,181	-	1,181
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	1,249	-	-	1,249	-	1,249
Total Comprehensive result	-	-	-	1,181	-	5	-	1,249	-	3,377	5,812	-	5,812
- Performance Share Plan	-	-	-	-	237	-	-	-	221	-	458	-	458
Balance as at September 30, 2018	8,879	1,385	136,400	9,998	(63,265)	(4)	(456)	3,529	(2,876)	3,377	96,967	-	96,967

SUMMARY CASHFLOW FORECAST

(€'000)		at September 30, 2018	at December 31, 2017	at September 30, 2017
Cash flow generated (used) in operations	A	7,227	(788)	(1,591)
Cash flow generated (used) in investment activities	B	(2,151)	(1,625)	(1,068)
Cash flow generated (absorbed) by financial assets	C	(3,200)	896	1,234
Net foreign exchange difference	D	(80)	(924)	(311)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	1,796	(2,441)	(1,736)
Opening amount in cash & cash equivalents		6,745	9,186	9,186
Cash & cash equivalents at end of period		8,541	6,745	7,450

NET FINANCIAL POSITION

(€'000)		at September 30, 2018	at December 31, 2017	at September 30, 2017
Cash & cash equivalents	A	(8,541)	(6,745)	(7,450)
Cash equivalent	B=A	(8,541)	(6,745)	(7,450)
Other current financial assets	C	(98)	(95)	(76)
Derivative instruments	D	4	9	10
Short-term borrowing	E	7,842	10,720	9,587
Short-term financial position	F=C+D+E	7,748	10,634	9,521
Short-term net financial position	G=B+F	(793)	3,889	2,071
Medium/long term borrowing	H	2,026	1,844	3,636
Medium-/long-term net financial position	I=H	2,026	1,844	3,636
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	1,233	5,733	5,707
Medium/long term borrowing allowed to affiliates companies and other Group companies	K	(86)	(83)	(85)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	1,147	5,650	5,622

WORKING CAPITAL

(€'000)	at September 30, 2018 (b)	at December 31, 2017 (a)	at September 30, 2017	Changes (b-a)
Inventories	22,296	17,821	18,541	4,475
Contracts in progress	86	412	0	(326)
Trade receivables	13,967	15,623	10,316	(1,656)
Income tax receivables	218	204	699	14
Other current assets	1,764	1,782	1,916	(18)
Current assets	38,331	35,842	31,472	2,489
Trade payables	(14,732)	(13,088)	(11,454)	(1,644)
Income tax liabilities	(319)	(262)	(80)	(57)
Other current liabilities	(6,522)	(4,775)	(5,385)	(1,747)
Current liabilities	(21,573)	(18,125)	(16,919)	(3,448)
Net working capital	16,758	17,717	14,553	(959)