

## **EUROTECH: 2018 CONSOLIDATED REVENUES OF €79.1 MILLION (+31.5%), EBITDA OF €8.1 MILLION (10.1% OF REVENUES) AND NET PROFIT OF €5.8 MILLION**

*Draft of the 2018 separate and consolidated financial statements approved by Board of Directors*

Amaro (Italy), 15 March 2019

- Consolidated revenues: from €60.12 million to €79.08 million
- Consolidated gross profit: from €29.13 million to €37.56 million
- Consolidated EBITDA: from €1.67 million to €8.13 million
- Consolidated EBIT: from €-2.98 million to €5.84 million
- Consolidated pre-tax result: from €-4.56 million to €5.62 million
- Group net result: from €-4.67 million to €5.68 million
- Net financial position: from a net financial debt of €5.65 million to a net cash of €0.93 million
- Group shareholders' equity: €102.04 million
- Eurotech S.p.A.: net result from €-4.00 million to €30.61 million

Today, the Board of Directors of Eurotech S.p.A. reviewed and approved the Draft Separate and Consolidated Financial Statements as at 31 December 2018, which will be submitted to the Ordinary Shareholders' Meeting.

The Chief Executive Officer, Roberto Siagri, observed, "Eurotech closed 2018 with the sixth consecutive quarter of growth and the fifth consecutive profitable quarter. The sound positive trend was powered, in particular, by the American and European areas, which will also drive the Group's growth in 2019."

Group turnover for 2018 was €79.08 million, which represents an increase of 31.5% compared to 2017. The increase is even greater at constant exchange rates. Turnover for 2017 at constant exchange rates would have amounted to €58.39 million compared to €60.12 million shown in the financial statements and the increase would have been 35.4%.

Since the second half of 2017, and therefore for six consecutive quarters, the Group has been generating interim results that show an EBITDA of over 9% and EBIT that is either breakeven or positive. Furthermore, for five quarters the net result for the period is positive. In addition, and even more encouraging, is the significant level of orders already collected for 2019: as at 31 December 2018, the order portfolio for the following year is 55% higher than that recorded at 31 December 2017. This shows

that growth once again in 2019 is possible and that the strategy adopted by the Group is reaping its rewards.

All geographic areas have contributed to revenue growth. In the American area, sales increased by 39.6% compared to previous year, Japan posted an increase of 10.5%, and finally, Europe showed strong performance, especially in Italy which recorded an increase of 99.1%, thus providing a crucial contribution to the total increase in the European area of 58.2%.

The American area is the one that has driven the Group's growth throughout 2018: not only did turnover increase by 39.6% compared to 2017, but orders for the following year have posted double-digit growth, reaching the highest level ever reached historically. The solid partnership with certain long-term customers and the ability to supply high quality products compliant to high reliability standards have resulted in both increased turnover and orders.

The European area, following the satisfactory new orders obtained in 2017, was the area with the greatest growth in percentage terms. The potential in the area continues to be substantial: for products conceived for the transportation market, for high-performance embedded computers (HPECs), as well as the IoT product offer. The new product lines that are today very innovative compared to traditional competitors have allowed us to attract important customers with recurring businesses in this area as well.

The Japanese area, while maintaining a strong focus on the main local customers, is investing to expand its sales to new customers by offering new products both developed internally and developed by other Group companies, such as the IoT and HPEC product lines. The Japanese market continues to be a primary target market for Eurotech, given the importance of established companies and their relevance, not only locally but also globally.

As we expected, in all areas we faced a progressive pressure on prices on basic products, mitigated by the actions of the management aimed at continuously improving the supply of components and production costs. In the near future we expect a positive impact on margins from the growth in revenues of products with higher technological content such as HPECs and the IoT solutions.

The strategy identified and converted into operating plans has generated results in the year just ended and will surely bring further results in years to come. In addition to the investments on the embedded computer portfolio from which most of the revenues still derive, strategic investments remain above all in the continuous development of the IoT product line from which a significant growth in turnover and margins is expected in upcoming years.

IoT technologies are those at the heart of the "Fourth industrial revolution" (Industry 4.0) and are increasingly catalysing investments in the industrial market in general. According to some analysts' estimates, Industrial IoT is a market that should reach a size of about 900 billion dollars in 2025 with a CAGR of 28% in the next six years.

Several analysts position Eurotech among the market leaders thanks to its product portfolio, both in relation to Edge Computing and the IoT platform. Moreover, customers that are using the IoT platform and Eurotech hardware testify how the innovative technological components we supply give them a competitive advantage in their respective markets.

The global positioning of the Eurotech brand remains strategic, along with the creation and continuous implementation of a partner ecosystem to provide a larger market for the Group's technological offer.

Despite this positioning in the IoT sector, and the investments of many companies towards digitalisation, customers' implementations of IoT projects is slowed down by the challenges that new technologies pose in terms of organizational changes and changes to the business model. Testing phases that can be longer than initial estimates, and this has so far delayed growth in the IoT sector. As early as 2018, there was an acceleration in the implementation of projects by important international customers and we expect this acceleration to continue during 2019.

The gross profit margin for the year amounted to €37.56 million, or 47.5% of turnover compared to 48.5% last year, and slightly lower than plan forecasts. This value is the result of the mix of products sold, which have different margins depending on the type of product, the application sectors and the geographic market outlets. The continuous maintenance of the gross profit margin near 50% will be allowed by the growth of HPEC and IoT turnover as a percentage of revenues, i.e. the growth of turnover of innovative products with higher technological content. In the year just ended, the first margin was also penalized by the global economic situation of scarcity for electronic components: the difficulty in finding some components in time for expected deliveries has led, in some cases, to an increase in raw material prices. This situation impacted in particular the Japanese area and the American area.

Before adjustments for internal increases, operating costs were €32.78 million (41.4% of revenues) up 3.6% compared to €31.63 million (52.6% of revenues) in 2017. This increase is linked to the results obtained and the level of turnover achieved during the year. Eurotech continues to invest in the areas described here above, while paying close attention to balancing resources and the trend in costs, managing investments in relation to the total turnover generated by the Group.

The lower percentage of operating costs on turnover (from 52.6% to 41.4%) demonstrates how the structure was able to absorb the increase in turnover by using the operating leverage.

EBITDA improved by €6.46 million and amounted to €8.13 million, compared with €1.67 million in 2017.

EBITDA in 2018 as a percentage of revenues was 10.3%, compared with 2.8% in 2017.

EBIT posted a clear improvement in the year under review, amounting to €5.84 million compared to €-2.98 million in 2017, after depreciation/amortisation and write-downs on tangible and intangible assets for €2.28 million against depreciation/amortisation and write-downs equal to €4.66 million in 2017. EBIT as a percentage of revenues was 7.4% in 2018 compared to -5.0% in 2017. The write-downs

recognised in 2018 refer exclusively to the write-down of a portion of the goodwill related to the subsidiary company Eurotech France SaS.

Depreciation and amortisation in 2018 derive from operating assets becoming subject to depreciation throughout 2018, while in 2017 the non-monetary effects arising from the price allocation for the Advanet Inc. acquisition were recorded. The effect on EBIT of the higher values attributed as a result of purchase price allocation and the write-down of goodwill in 2018 was €0.22 million, compared with €2.23 million in 2017.

Net financial management in 2018 amounted to €0.22 million (€1.58 million in 2017), benefiting from a net positive exchange rate difference of €0.23 million (negative net delta in 2017 for €1.10 million). Financial management relating to interest had an effect of €0.43 million (€0.36 million in 2017) due to the increase in interest rates on bank exposures.

The pre-tax profit for 2018 was €5.62 million (compared with a loss of €4.56 million in 2017). This performance was influenced by the factors outlined above. The impact on the pre-tax result of PPA and the goodwill write-down was €0.22 million in 2018, compared with €2.23 million in 2017.

The Group net profit was €5.68 million, compared with a loss of €-4.67 million in 2017. This performance not only reflects the pre-tax profit but is due to the tax burden on the Group's various units and is affected by the positive tax effect due to the exploitation of tax losses in previous years.

Price allocation and goodwill write-down had a €0.22 million effect on the Group's net result in 2018 (2017: €1.55 million).

The Group's net financial position at 31 December 2018 showed a net cash of €0.93 million, compared with a net debt of €5.65 million at the end of 2017.

As at 31 December 2018, net working capital amounted to €15.61 million, equal to 19.7% of turnover, down compared to both the €17.72 million recorded at 31 December 2017 as well as the €16.76 million recorded as at 30 September 2018.

The Group's shareholders' equity, which is equal to the consolidated net equity since there are no minority interests, amounted to €102.04 million (€90.70 million in 2017).

***Separate financial statements of Parent Company Eurotech S.p.A.***

The revenues of Parent Company Eurotech S.p.A. grew 99.1% and totalled €20.45 million, compared to €10.27 million in 2017. The operating result for the year amounts to €0.78 million (in 2017: negative operating result of €2.93 million). The net profit for the year shows a profit of €30.61 million (in 2017: loss for the year of €4.00 million) mainly due to the recovery of the value of the equity investment in Eurotech Inc. (headed by the American holding company E-Tech USA Inc.) for €27.20 million. The shareholders' equity of Eurotech S.p.A. as at 31 December 2018 was €140.62 million, compared to €109.41 million in 2017. In 2018, the Parent Company posted a net financial position (i.e. a net cash position) of €33.62 million, an increase compared to 2017, which amounted to €27.80 million.

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*The Financial Reporting Manager Sandro Barazza certifies, pursuant to article 154-bis, paragraph 2 of the Consolidated Finance Act, that the accounting information contained in this press release corresponds to the company's documents, books and accounting records.*

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*Moreover, the Board approved the Corporate Governance Report which also contains information on the ownership structure pursuant to article 123-bis of the Consolidated Law on Finance, which will be published within the deadlines and in the manner required by current regulations.*

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*In accordance with the new provisions of paragraphs 1 and 1-bis of article 154-ter of the Consolidated Law on Finance, the annual financial report including the separate financial statements, consolidated financial statements, Report on Operations, Corporate Governance Report, and the certification of the Financial Reporting Manager, together with the reports of the independent auditors and the Board of Statutory Auditors, will be published no later than 31 March 2019.*

**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 business processes. In collaboration with numerous partners in a global ecosystem, Eurotech contributes to the implementation of the Internet of Things, supplying "best-in-class" complete solutions or individual building blocks, from the management of devices and 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](http://www.eurotech.com).

**Corporate contacts:****Investor Relations**

Andrea Barbaro

Tel. +39 0433 485411

e-mail: [andrea.barbaro@eurotech.com](mailto:andrea.barbaro@eurotech.com)

**Communications Office**

Giuliana Vidoni

Tel. +39 0433 485411

e-mail: [giuliana.vidoni@eurotech.com](mailto:giuliana.vidoni@eurotech.com)

**ANNEXES - FINANCIAL STATEMENTS**
**CONSOLIDATED INCOME STATEMENT**

(€/000)	FY 2018	%	FY 2017	%
<b>Revenues from sales of products and services</b>	79,083	100.0%	60,120	100.0%
Cost of materials	(41,527)	-52.5%	(30,985)	-51.5%
<b>Gross profit</b>	<b>37,556</b>	<b>47.5%</b>	<b>29,135</b>	<b>48.5%</b>
Service costs	(12,269)	-15.5%	(11,365)	-18.9%
Lease & hire costs	(1,594)	-2.0%	(1,726)	-2.9%
Payroll costs	(18,197)	-23.0%	(17,804)	-29.6%
Other provisions and other costs	(717)	-0.9%	(734)	-1.2%
Other revenues	3,349	4.2%	4,166	6.9%
<b>Profit before depreciation and amortization (EBITDA)</b>	<b>8,128</b>	<b>10.3%</b>	<b>1,672</b>	<b>2.8%</b>
Depreciation & amortisation	(2,064)	-2.6%	(4,377)	-7.3%
Asset impairment	(220)	-0.3%	(280)	-0.5%
<b>Operating profit (EBIT)</b>	<b>5,844</b>	<b>7.4%</b>	<b>(2,985)</b>	<b>-5.0%</b>
Share of associates' profit of equity	-	0.0%	(3)	0.0%
Subsidiaries management	(19)	0.0%	(116)	-0.2%
Finance expense	(1,056)	-1.3%	(2,205)	-3.7%
Finance income	855	1.1%	748	1.2%
<b>Profit before taxes</b>	<b>5,624</b>	<b>7.1%</b>	<b>(4,561)</b>	<b>-7.6%</b>
Income tax	58	0.1%	(111)	-0.2%
<b>Net profit (loss) of continuing operations before minority interest</b>	<b>5,682</b>	<b>7.2%</b>	<b>(4,672)</b>	<b>-7.8%</b>
<b>Minority interest</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>
<b>Group net profit (loss) for period</b>	<b>5,682</b>	<b>7.2%</b>	<b>(4,672)</b>	<b>-7.8%</b>
<b>Base earnings (losses) per share</b>	<b>0.166</b>		<b>(0.137)</b>	
<b>Diluted earnings (losses) per share</b>	<b>0.166</b>		<b>(0.137)</b>	

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	(€'000)	at December 31, 2018	at December 31, 2017
<b>ASSETS</b>			
Intangible assets		85,369	79,968
Property, Plant and equipment		2,579	2,436
Investments in other companies		160	144
Deferred tax assets		3,025	1,283
Medium/long term borrow ing allow ed to affiliates companies and other Group companies		87	83
Other non-current assets		654	618
<b>Total non-current assets</b>		<b>91,874</b>	<b>84,532</b>
Inventories		21,998	17,821
Contracts in progress		86	412
Trade receivables		13,808	15,623
Income tax receivables		298	204
Other current assets		2,183	1,782
Other current financial assets		104	95
Cash & cash equivalents		13,196	6,745
<b>Total current assets</b>		<b>51,673</b>	<b>42,682</b>
<b>Non-current assets classified as held for sale</b>		<b>0</b>	<b>28</b>
<b>Total assets</b>		<b>143,547</b>	<b>127,242</b>
<b>LIABILITIES AND EQUITY</b>			
Share capital		8,879	8,879
Share premium reserve		136,400	136,400
Other reserves		(43,237)	(54,582)
<b>Group shareholders' equity</b>		<b>102,042</b>	<b>90,697</b>
<b>Equity attributable to minority interest</b>		<b>0</b>	<b>0</b>
<b>Total shareholders' equity</b>		<b>102,042</b>	<b>90,697</b>
Medium-/long-term borrow ing		4,312	1,844
Employee benefit obligations		2,465	2,343
Deferred tax liabilities		3,035	2,816
Other non-current liabilities		782	688
<b>Total non-current liabilities</b>		<b>10,594</b>	<b>7,691</b>
Trade payables		14,411	13,088
Short-term borrow ing		8,125	10,720
Derivative instruments		20	9
Income tax liabilities		1,571	262
Other current liabilities		6,784	4,775
<b>Total current liabilities</b>		<b>30,911</b>	<b>28,854</b>
<b>Total liabilities</b>		<b>41,505</b>	<b>36,545</b>
<b>Total liabilities and equity</b>		<b>143,547</b>	<b>127,242</b>



### 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 December 31, 2018	-	-	-	-	-	-	-	-	-	5,682	5,682	-	5,682
Comprehensive other profit (loss):	-	-	-	-	-	( 11)	-	-	-	-	( 11)	-	( 11)
- Hedge transactions	-	-	-	-	-	( 11)	-	-	-	-	( 11)	-	( 11)
Actuarial gains/(losses) on defined benefit plans for	-	-	-	-	-	-	31	-	-	-	31	-	31
- Foreign balance sheets conversion difference	-	-	-	3,406	-	-	-	-	-	-	3,406	-	3,406
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	1,645	-	-	1,645	-	1,645
<b>Total Comprehensive result</b>	-	-	-	<b>3,406</b>	-	<b>( 11)</b>	<b>31</b>	<b>1,645</b>	-	<b>5,682</b>	<b>10,753</b>	-	<b>10,753</b>
- Performance Share Plan	-	-	-	-	( 422)	-	-	-	1,014	-	592	-	592
Balance as at December 31, 2018	8,879	1,385	136,400	12,223	( 63,924)	( 20)	( 425)	3,925	( 2,063)	5,682	102,042	-	102,042

### SUMMARY CASH FLOW STATEMENT

(€'000)		at December 31, 2018	at December 31, 2017
Cash flow generated (used) in operations	A	10,577	(788)
Cash flow generated (used) in investment activities	B	(3,237)	(1,625)
Cash flow generated (absorbed) by financial assets	C	(905)	896
Net foreign exchange difference	D	16	(924)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	6,451	(2,441)
Opening amount in cash & cash equivalents		6,745	9,186
Cash & cash equivalents at end of period		13,196	6,745

### NET FINANCIAL POSITION

		at December 31, at December 31,	
		2018	2017
	(€'000)		
Cash & cash equivalents	A	(13,196)	(6,745)
<b>Cash equivalent</b>	<b>B=A</b>	<b>(13,196)</b>	<b>(6,745)</b>
Other current financial assets	C	(104)	(95)
Derivative instruments	D	20	9
Short-term borrow ing	E	8,125	10,720
<b>Short-term financial position</b>	<b>F=C+D+E</b>	<b>8,041</b>	<b>10,634</b>
<b>Short-term net financial position</b>	<b>G=B+F</b>	<b>(5,155)</b>	<b>3,889</b>
Medium/long term borrow ing	H	4,312	1,844
<b>Medium-/long-term net financial position</b>	<b>I=H</b>	<b>4,312</b>	<b>1,844</b>
<b>(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions</b>	<b>J=G+I</b>	<b>(843)</b>	<b>5,733</b>
Medium/long term borrow ing allow ed to affiliates companies and other Group companies	K	(87)	(83)
<b>(NET FINANCIAL POSITION) NET DEBT</b>	<b>L=J+K</b>	<b>(930)</b>	<b>5,650</b>

### WORKING CAPITAL

		at December 31,	at December 31,	
		2018	2017	Changes
	(€'000)	(b)	(a)	(b-a)
Inventories		21,998	17,821	4,177
Contracts in progress		86	412	(326)
Trade receivables		13,808	15,623	(1,815)
Income tax receivables		298	204	94
Other current assets		2,183	1,782	401
<b>Current assets</b>		<b>38,373</b>	<b>35,842</b>	<b>2,531</b>
Trade payables		(14,411)	(13,088)	(1,323)
Income tax liabilities		(1,571)	(262)	(1,309)
Other current liabilities		(6,784)	(4,775)	(2,009)
<b>Current liabilities</b>		<b>(22,766)</b>	<b>(18,125)</b>	<b>(4,641)</b>
<b>Net working capital</b>		<b>15,607</b>	<b>17,717</b>	<b>(2,110)</b>