

EUROTECH: IN THE FIRST THREE MONTHS OF 2019 CONSOLIDATED REVENUES +35% AT CONSTANT EXCHANGE RATES, EBITDA AT 16% AND NET PROFIT AT 11.6% OF REVENUES

Amaro (Italy), 14 May 2019

- Consolidated revenues at €25.50 million (+42.5% compared to 1Q2018, +35.0% at constant exchanges rates)
- Consolidated EBITDA at €4.08 million (16.0% of revenues, +151.6%)
- Consolidated EBIT at €3.14 million (12.3% of revenues, +168.3%)
- Consolidated pre-tax result at €3.07 million (12.0% of revenues, +€2.28 million compared to 1Q2018)
- Group net result at €2.95 million (11.6% of revenues, +€2.33 million compared to 1Q2018)
- Net financial debt of €5.45 million (of which €4.29 million are due to the application of the new IFRS 16 accounting standard)
- Shareholders' equity pertaining to the Group: €106.73 million

The Board of Directors of Eurotech S.p.A. examined and approved the results of the first quarter of 2019 today.

Operating performance in the period

Operating performance of the quarter was the result of the good order intake registered during 2018 and that is continuing at a brisk pace also in 2019, in line with management's expectations. Although growth was higher in terms of absolute values in the embedded boards and systems segment, also turnover pertaining to the IoT product line continued to rise and important design-wins are added from one quarter to the next.

With reference to the location of the customers, the USA area was the one that generated the highest turnover during the quarter, posting 58.7% of the total (first quarter 2018: 47.8%), followed by the Japanese area with 21.1% (first quarter 2018: 33.5%), while the European area represented the remaining 16.1% (first quarter 2018: 17.1%), and the other areas represented the remaining 4.1% (first quarter 2018: 1.5%).

The order book to process for the current year, in terms of value, continues to be 50% higher than the one of the same period of 2018.

Economic performance of the Eurotech Group

Revenues earned by the Group in the first three months of 2019 amounted to €25.50 million compared to €17.89 million in the first three months of 2018, up 42.5%. Exchange rates remaining constant, the increase would have been 35.0%.

The gross profit margin of the first quarter 2019 amounted to €12.18 million, with a percentage of sales of 47.8%, compared to the percentage of 48.8% in the first quarter of 2018 and slightly higher than the value represented for the year 2018, which came to 47.5%.

With the significant growth in turnover, also the operating costs before adjustments increased in absolute value, and in the three months under review these costs amounted to €8.61 million with a 9.8% increase compared to the first quarter of 2018 (€7.84 million). In percentage terms, gross operating costs dropped as a percentage of revenues, from 43.8% in the first quarter of 2018 to 33.7% in the first quarter of 2019. These lower costs as a percentage of turnover continues to show the activation of the operating leverage.

EBITDA was €4.08 million (16.0% of revenues) for the first three months of the year, compared with 1.62 million for 2018 (9.1% of revenues), reflecting the performance of the gross profit margin, the operating costs and other revenues. The new method for booking lease agreements (Right of Use) established by the IFRS 16 "Leases" accounting standard led to a positive effect in the first three months of 2019 for €0.36 million.

EBIT rose from €1.17 million (6.5% of revenues) in the first three months of 2018 to €3.14 million in the first three months of 2019 (12.3% of revenues).

Net finance expense was negative for €71 thousand in the first three months of 2019, while in the first three months of 2018 was as well negative for €377 thousand.

The Group booked a pre-tax profit in 3M19 of €3.07 million, versus a figure of €0.79 million in 3M18. The €2.28 million improvement of the pre-tax profit mainly reflected the improved EBIT.

The Group's net result totalled €2.95 million for the quarter (€0.62 million in the first three months of 2018). Not only did it reflect the dynamics of the pre-tax result, but the performance derived from the different tax burden recorded on the whole on the Group companies, where the percentage of taxes is limited due to the booking of part of the pre-paid taxes arising from the tax losses of the previous years not booked.

Balance sheet of the Eurotech Group

Consolidated net financial debt at 31 March 2019, not including the financial payables for rights of use introduced by the IFRS 16 accounting standard, amounted to €1.17 million compared to a net financial position (net cash) of €0.93 million at 31 December 2018. The new method for booking lease agreements (Right of Use) established by the IFRS 16 "Leases" accounting standard led to the recognition by the Group companies of financial payments for rights of use at 31 March 2019 totalling €4.29 million, which when added to the net financial debt give rise to a post-IFRS 16 total net debt of €5.46 million.

Group cash and cash equivalents amounted to €12.2 million at 31 March 2019 (€13.2 million at year-end 2018).

Net working capital came to €20.96 million at 31 March 2019, up by €5.35 million compared to 31 December 2018. This performance is due to the increase in trade receivables for the higher turnover achieved in the quarter and to the increase in inventory value to meet the shipments of the upcoming quarters.

Group shareholders' equity amounted to €106.7 million (€102.0 million at 31 December 2018).

Outlook and events after 31 March 2019

Demand in the different geographical areas and in the various markets where the Group operates continues to hold at good levels. Based on the available information, it is deemed foreseeable that the double-digit growth trend will continue in the months to come, compared to the reference period of the previous year, with good activation of the operating leverage.

The gross profit margin of Q12019 was still penalised by the difficulty in procuring electronic components, which marked the world scenario for many months in the recent past. Now the situation is evolving towards a normal situation, and this will have a positive impact on the gross profit margin of the following quarters.

Unlike what has been historically recorded, a more uniform performance of the turnover of the quarters during the year is expected, with less marked seasonality. This may have positive effects on the stabilisation of the working capital that, as a percentage of turnover, should come back to values in line with those reported at year-end 2018.

Filing of consolidated interim management statement at 31 March 2019

Pursuant to Art. 154-ter of Italian Legislative Decree 58/1998 as amended, it is hereby notified that the consolidated interim management statement at 31 March 2019, approved by the Board of Directors, has been filed and is at the disposal of whoever should request it within the time limits and following the procedures of law at the Company's registered office in Amaro, via Fratelli Solari 3/A, and on the website www.eurotech.com (Investors section) and on the "1Info" Centralised Storage system at www.1info.it.

Pursuant to Art. 154 bis , paragraph 2 of the Italian Consolidated Law on Finance (TUF), the Corporate Financial Reporting Manager of Eurotech S.p.A., Sandro Barazza, declares that the information on accounts disclosed in this press release corresponds to the documentary results, books and accounting records of the company.

THE EUROTECH GROUP

Eurotech (ETH:IM) is a multinational that designs, develops and supplies Internet of Things solutions, complete with services, software and hardware, to the leading system integrators and to large and small companies. By adopting Eurotech's solution, customers gain access to the most recent open-source software stacks and standards, flexible and rugged multiservice gateways and sophisticated sensors in order to collect data from the field and make them usable for corporate processes. In collaboration with a large number of partners of a world ecosystem, Eurotech contributes toward building the vision of the Internet of Things by supplying complete solutions or single "best-in-class" building blocks, from managing devices and data to the connectivity and communication platform as well as from the smart peripheral devices to the smart objects, with business models appropriate for the world of modern enterprise. For more information on Eurotech, please visit www.eurotech.com.

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ANNEXES - FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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, 2018	8,879	1,385	136,400	12,223	(63,924)	(20)	(425)	3,925	(2,083)	5,682	102,042	-	102,042
2018 Result allocation	-	391	-	-	5,291	-	-	-	-	(5,682)	-	-	-
Profit (loss) as at March 31, 2019	-	-	-	-	-	-	-	-	-	2,955	2,955	-	2,955
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	(4)	-	-	-	-	(4)	-	(4)
- Foreign balance sheets conversion difference	-	-	-	823	-	-	-	-	-	-	823	-	823
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	722	-	-	722	-	722
Total Comprehensive result	-	-	-	823	-	(4)	-	722	-	2,955	4,496	-	4,496
- Performance Share Plan	-	-	-	-	191	-	-	-	-	-	191	-	191
Balance as at March 31, 2019	8,879	1,776	136,400	13,046	(58,442)	(24)	(425)	4,647	(2,083)	2,955	106,729	-	106,729

CONCISE CASH FLOW STATEMENT

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

NET FINANCIAL POSITION

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

NET WORKING CAPITAL

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