

EUROTECH: REVENUES FOR THE FIRST HALF OF 2019 €53.0 MILLION (+35.5% AT CONSTANT EXCHANGE RATES), EBITDA €10.9 MILLION (20.5% OF REVENUES) AND NET PROFIT €8.8 MILLION

BoD approves consolidated half-year results at 30 June 2019

Amaro (Italy), 5 September 2019

- Consolidated revenues of €53.0 million (+42.1% compared to 1H2018, +35.5% at constant exchange rates)
- Consolidated gross profit of €26.3 million (49.7% of revenues, +46.1% compared to 1H2018)
- Consolidated EBITDA of €10.9 million (20.5% of revenues, €+7.2 million compared to 1H2018)
- Consolidated EBIT of €8.9 million (16.9% of revenues, €+6.3 million compared to 1H2018)
- Consolidated pre-tax result of €8.7 million (16.4% of revenues, €+6.1 million compared to 1H2018)
- Group net result of €8.8 million (16.6% of revenues, €+6.9 million compared to 1H2018)
- Net financial position with net cash of €1.3 million (would have been €5.3 million prior to the application of the new IFRS 16 accounting standard for lease contracts)
- Group shareholders' equity: €112.9 million

Today, the Board of Directors of Eurotech SpA reviewed and approved the results for the first half of 2019.

Chief Executive Officer Roberto Siagri commented on the positive results for the period: "I am very satisfied with the results we are achieving, which are the outcome of both the considerable investments made over the years and the great dedication of all our employees. This result would not have been possible without the support of customers and partners who continue to choose us for the quality of the products and services offered. The semester that just ended continues a new important growth path started in the second half of 2017. The growth trend will continue in the second half, supported by the increase in the order book. Hence, we look optimistically to the future: we intend and are able to grow in a sustainable manner, continuing with the current business model that allows us both to generate positive cash flows and to continue to activate the operational leverage".

Operating performance in the period

The growth in turnover is the direct effect of the increase in orders and the backlog existing at the beginning of the year, which enabled the Group to obtain its highest level of turnover ever in a semester, even compared to when the scope of consolidation was larger.

The geographical areas of the United States and Europe contributed to this increase in turnover, closing the first half with growth of 74.9% and 42.4%, respectively, compared to the first half of 2018. Japan, on the other hand, posted results that were slightly lower than the first half of 2018.

The Group continues to act as a partner for its customers' strategic innovation, supporting them in their need for product innovation, process innovation, and transformation of business models that this Fourth Industrial Revolution requires to an increasing degree. The increase in gross profit margin posted in the first half, which brings it to a value close to 50%, highlights how the Group is able to develop highly innovative technologies and products that increasingly meet the needs of the market in this era of digital transformation.

In fact, the Group, in addition to being one of the leaders in the field of Embedded Computers, has established itself over the last few years as one of the most important technology leaders in the emerging sector of the Edge Computers and IoT, as a result of the significant investments in research and development. This leadership is underscored and validated by the studies of numerous research and consultancy companies in the sector.

Eurotech Group operating performance

Revenues earned by the Group in the first six months of 2019 amounted to €53.04 million compared to €37.32 million in the first six months of 2018, up 42.1%. At constant exchange rates the increase would have been 35.5%.

The gross profit for the period amounted to €26.34 million, or 49.7% of revenues, compared to 48.3% of revenues in the first half of 2018. This value represents an improvement from the figure for the year 2018, which was 47.5%.

Operating costs were 32.2% of revenues in the first half of 2019 compared to 42.9% in the first half of 2018: these figures demonstrate once again how the Group was able to activate operational leverage and how the structure was able to produce significant growth in turnover with a minimal increase in costs. Operating costs before adjustments increased in the first six months of 2019 by €1.06 million, or 6.6%, that is less than one-sixth of the increase in turnover for the period. Additional cost increases in the areas of R&D and sales will be incurred during the year to continue to support forecasted growth, maintaining the operational leverage active, with a view to continuous growth in value.

EBITDA amounted to €10.87 million (20.5% of revenues) compared with €3.63 million in the first half of 2018 (9.7% of revenues), thus reflecting the trend in both gross profit as well as operating costs and other

revenues. The figure for the first half improved compared to the first quarter, in which EBITDA was 16.0% of revenues. The new method of accounting for lease contracts (Right of Use) envisaged by IFRS 16 “Leases” resulted in a positive effect in the first six months of 2019 of €0.73 million.

EBIT was €8.94 million (16.9% of revenues), compared to €2.68 million (7.2% of revenues) in the first half of 2018.

In the first six months of 2019, financial management recorded a loss of €0.25 million including the exchange rate effect, compared with a loss of €0.05 million in the first half of 2018.

The pre-tax result showed a profit of €8.69 million, compared with €2.61 million for the first six months of 2018. The improvement of the pre-tax result, equal to €6.08 million, reflects mainly the improvement of EBIT.

The Group’s net result for the first half amounted to €8.83 million (€1.91 million in the first six months of 2018). In addition to reflecting the improvement in EBIT, the trend derives from estimated taxes, which were calculated based on the rates established for the year by governing regulations and considering the tax benefit for the use of tax losses based on the forecasted results for the end of the year.

Eurotech Group statement of financial position

As at 30 June 2019, the Group had a net financial position with net cash of €5.28 million, excluding financial payables for the right of use introduced by IFRS 16, compared to a net financial position with net cash of €0.93 million at 31 December 2018. The new accounting method for lease contracts (Right of Use) envisaged by the IFRS 16 accounting standard entailed the recognition by Group companies of financial liabilities for rights of use at 30 June 2019 equal to €3.95 million, which, subtracted from the net financial position, resulted in a post-IFRS 16 net cash position of €1.33 million.

The Group’s cash and cash equivalents at 30 June 2019 were €20.4 million, compared to €13.2 million at the end of 2018.

Working capital came to €19.06 million at 30 June 2019, an increase of €3.46 million compared with 31 December 2018, but a decrease of €1.90 million compared to 31 March 2019. This trend is mainly attributable to the increase in trade receivables due to higher turnover in the first half, as well as to the increase in other current receivables.

The Group’s shareholders’ equity amounted to €112.9 million (€102.0 million at 31 December 2018).

Business outlook and events after 30 June 2019

Demand in the various geographical areas and various markets in which the Group operates continues to be healthy. Based on available information, it is likely that the growth trend will continue during the second half of the year due to the positive trend in orders that the individual companies continue to receive. Orders

received in the first half were 27% higher than those recorded in the first half of 2018, demonstrating that the double-digit growth trend remains solid. The orders in the portfolio that can generate turnover within the year are 30% higher than the orders outstanding as at 30 June 2018 that generated turnover in the second half of 2018.

Contrary to historical data, for the current year, turnover is expected to be more uniform over the individual quarters, with seasonality being less notable; this could have positive effects of stabilising working capital which, as a percentage of turnover, should return to values in line with those recorded at the end of 2018.

Note that, in compliance with the provisions of the National Commission for Companies and the Stock Exchange, the Consolidated Half-Year Financial Report as at 30 June 2019 is available to anyone upon request at the registered office. The report is also available on the Eurotech website at www.eurotech.com (Investors section) and on the "1Info" Centralised Storage system at www.1info.it.

The Financial Reporting Manager of Eurotech S.p.A., 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.

THE EUROTECH GROUP

Eurotech (ETH:IM) is a multinational company designing, developing and supplying solutions for the Internet of Things made of 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 them 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.

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ANNEXES - FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT (€ '000)	1H 2019 (b)		1H 2018 (a)		change (b-a)	
		%		%	amount	%
Sales revenue	53,038	100.0%	37,322	100.0%	15,716	42.1%
Cost of material	(26,698)	-50.3%	(19,288)	-51.7%	7,410	-38.4%
Gross profit	26,340	49.7%	18,034	48.3%	8,306	46.1%
Services costs	(6,427)	-12.1%	(5,878)	-15.7%	549	-9.3%
Lease & hire costs	(161)	-0.3%	(823)	-2.2%	(662)	80.4%
Payroll costs	(10,075)	-19.0%	(8,909)	-23.9%	1,166	13.1%
Other provisions and costs	(422)	-0.8%	(413)	-1.1%	9	2.2%
Other revenues	1,619	3.1%	1,618	4.3%	1	0.1%
EBITDA	10,874	20.5%	3,629	9.7%	7,245	199.6%
Depreciation & Amortization	(1,920)	-3.6%	(948)	-2.5%	972	-102.5%
EBIT	8,944	16.9%	2,681	7.2%	6,263	-233.6%
Finance expense	(506)	-1.0%	(649)	-1.7%	(143)	-22.0%
Finance income	254	0.5%	597	1.6%	(343)	-57.5%
Profit before tax	8,692	16.4%	2,610	7.0%	6,082	233.0%
Income tax	141	0.3%	(697)	-1.9%	(838)	120.2%
Net profit (loss) of continuing operations before minority interest	8,833	16.7%	1,913	5.1%	6,920	361.7%
Minority interest	0	0.0%	0	0.0%	0	n/a
Group net profit (loss) for period	8,833	16.7%	1,913	5.1%	6,920	361.7%
Base earnings per share	0.255		0.056			
Diluted earnings per share	0.255		0.056			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at June 30, 2019	<i>of which related parties</i>	at December 31, 2018	<i>of which related parties</i>
ASSETS				
Intangible assets	87,896		85,369	
Property, Plant and equipment	6,550		2,579	
Investments in other companies	160		160	
Deferred tax assets	3,703		3,025	
Medium/long term borrowing allowed to affiliates companies and other Group companies	88	88	87	87
Other non-current assets	663		654	
Total non-current assets	99,060		91,874	
Inventories	22,231		21,998	
Contracts in progress	-	-	86	86
Trade receivables	16,556	261	13,808	1,000
Income tax receivables	162		298	
Other current assets	2,790		2,183	
Other current financial assets	107	13	104	10
Cash & cash equivalents	20,414		13,196	
Total current assets	62,260		51,673	
Total assets	161,320		143,547	
LIABILITIES AND EQUITY				
Share capital	8,879		8,879	
Share premium reserve	136,400		136,400	
Other reserves	(32,414)		(43,237)	
Group shareholders' equity	112,865		102,042	
Equity attributable to minority interest	-		-	
Total shareholders' equity	112,865		102,042	
Medium-/long-term borrowing	8,671		4,312	
Employee benefit obligations	2,609		2,465	
Deferred tax liabilities	3,086		3,035	
Other non-current liabilities	809		782	
Total non-current liabilities	15,175		10,594	
Trade payables	15,960	132	14,411	132
Short-term borrowing	10,535		8,125	
Derivative instruments	71		20	
Income tax liabilities	590		1,571	
Other current liabilities	6,124		6,784	
Total current liabilities	33,280		30,911	
Total liabilities	48,455		41,505	
Total liabilities and equity	161,320		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 June 30, 2019	-	-	-	-	-	-	-	-	-	8,833	8,833	-	8,833
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	(51)	-	-	-	-	(51)	-	(51)
- Foreign balance sheets conversion difference	-	-	-	1,428	-	-	-	-	-	-	1,428	-	1,428
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	232	-	-	232	-	232
Total Comprehensive result	-	-	-	1,428	-	(51)	-	232	-	8,833	10,442	-	10,442
- Performance Share Plan	-	-	-	-	268	-	-	-	113	-	381	-	381
Balance as at June 30, 2019	8,879	1,776	136,400	13,651	(58,365)	(71)	(425)	4,157	(1,970)	8,833	112,865	-	112,865

SUMMARY CASH FLOW STATEMENT

(€'000)		at June 30, 2019	at December 31, 2018	at June 30, 2018
Cash flow generated (used) in operations	A	7,680	10,577	5,037
Cash flow generated (used) in investment activities	B	(2,232)	(3,237)	(1,306)
Cash flow generated (absorbed) by financial assets	C	1,773	(905)	(1,637)
Net foreign exchange difference	D	(3)	16	(506)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	7,218	6,451	1,588
Opening amount in cash & cash equivalents		13,196	6,745	6,745
Cash & cash equivalents at end of period		20,414	13,196	8,333

NET FINANCIAL POSITION

(€'000)		at June 30, 2019	at December 31, 2018	at June 30, 2018
Cash & cash equivalents	A	(20,414)	(13,196)	(8,333)
Cash equivalent	B=A	(20,414)	(13,196)	(8,333)
Other current financial assets	C	(107)	(104)	(97)
Derivative instruments	D	71	20	6
Short-term borrowing	E	10,535	8,125	9,507
Short-term financial position	F=C+D+E	10,499	8,041	9,416
Short-term net financial position	G=B+F	(9,915)	(5,155)	1,083
Medium/long term borrowing	H	8,671	4,312	1,848
Medium-/long-term net financial position	I=H	8,671	4,312	1,848
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	(1,244)	(843)	2,931
Medium/long term borrowing allowed to affiliates companies and other Group companies	K	(88)	(87)	(86)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	(1,332)	(930)	2,845

NET WORKING CAPITAL

(€000)	at June 30, 2019 (b)	at December 31, 2018 (a)	at June 30, 2018	Changes (b-a)
Inventories	22,231	21,998	20,301	233
Contracts in progress	0	86	816	(86)
Trade receivables	16,556	13,808	14,177	2,748
Receivables from affiliates companies	0	0	0	0
Income tax receivables	162	298	217	(136)
Other current assets	2,790	2,183	1,845	607
Current assets	41,739	38,373	37,356	3,366
Trade payables	(15,960)	(14,411)	(13,451)	(1,549)
Trade payables from affiliates companies	0	0	0	0
Income tax liabilities	(590)	(1,571)	(704)	981
Other current liabilities	(6,124)	(6,784)	(5,992)	660
Current liabilities	(22,674)	(22,766)	(20,147)	92
Net working capital	19,065	15,607	17,209	3,458