

EUROTECH: REVENUES AT 31 DECEMBER 2019 OF €102 MILLION (+28.9%), EBITDA OF €20.5 MILLION (20.1% OF REVENUES) AND NET PROFIT OF €19.2 MILLION

Draft of the 2019 separate and consolidated financial statements approved by Board of Directors

Amaro (UD), 12 March 2020

- Consolidated revenues at €102.0 million (+28.9% compared to 31 December 2018, +23,3% at constant exchange rates)
- Consolidated gross profit at €52.0 million (50.9% of revenues, +38.3% compared to 31 December 2018)
- Consolidated EBITDA at €20.5 million (20.1% of revenues, €+12.4 million compared to 31 December 2018)
- Consolidated EBIT at €16.6 million (16.3% of revenues, €+10.8 million compared to 31 December 2018)
- Consolidated pre-tax profit at €16.1 million (15.8% of revenues, €+10.5 million compared to 31 December 2018)
- Group net profit at €19.2 million (18.9% of revenues, €+13.6 million compared to 31 December 2018)
- Net financial position with net cash of €12.3 million (it would have been €16.3 million before application of the new IFRS 16 - Leases)
- Group shareholders' equity: €124.7 million
- Eurotech S.p.A.: net result from €30.6 million (including €27.2 million from the recovery of value for the equity investment in Eurotech Inc.) to €8.4 million

Today, the Board of Directors of Eurotech SpA reviewed and approved the Draft Separate and Consolidated Financial Statements as at 31 December 2019, which will be submitted to the Ordinary Shareholders' Meeting.

The Chief Executive Officer Roberto Siagri commented: "We are satisfied with the growth in revenues and margins that we achieved in 2019. It has been an important year not only for the very positive economic result but also for the new customers that have been acquired and will be acquired thanks to a very innovative product offering, that demonstrates the technological leadership built up over the years. 2019 allowed us to start demonstrating our potential, which despite some inevitable short-term repercussions due to the uncertainties caused in the economy by Covid-19, still remains unexpressed given the

competitive advantage accumulated in IoT and HPEC. I am therefore convinced that our growth phase is only in its infancy.”

Trend in the period

2019 was a record-breaking year for Eurotech, which achieved consolidated turnover of €101.97 million at Group level, up 28.9% compared to 2018.

All geographic areas have contributed to revenue growth. In America, sales were up by 46.8% compared to the same period of the previous year; Japan recorded a 5.1% increase; and finally, growth amounted to 36.1% in Europe, driven in particular by the Parent Company which recorded an increase of 44.2% due to the strong growth in the German market.

This growth in turnover, generated following a 31.5% increase in 2018, is the direct effect of the orders collected and especially of the backlog which existed at the beginning of the year, in addition to the investments and efforts made to position the Eurotech brand among the “first movers” in the Industrial IoT technology and in High Performance Edge Computing (HPEC).

There are now 10 consecutive quarters with a pre-tax result at breakeven or positive, thanks to a solid activation of the operating leverage: this is a significant trend which we believe will continue through 2020.

Operating performance of the Eurotech Group

Group revenues in the twelve months of 2019 amounted to €101.97 million, up by 28.9% compared to the same period in 2018 when the turnover amounted to €79.08 million. At constant exchange rates, the increase would be 23.3%.

The gross profit margin for the year amounted to €51.95 million, or 50.9% of turnover, up on the 47.5% of last year and higher than the target level of 50%. The growth in gross profit confirms that the Group is managing to sell products with higher added value that can respond to market requirements in this age of digital transformation; it also shows how the software and IoT services are gradually contributing towards the growth.

Before adjustments for internal increases, operating costs were €35.00 million (34.3% of revenues), compared to €32.78 million (41.4% of revenues) in 2018. Currency trends accounted for 3.6% of the growth of operating costs, or €1.12 million, while the effect of the IFRS 16 which came into effect this year led to a reduction in the operating costs of €1.48 million. If these two effects are not considered, operating costs in 2019 increased by 6.8% compared to 2018, i.e. less than a third of the percentage growth in revenue sales, confirming the full implementation of the operating leverage: the industrial structure of the Group managed to produce significant growth in turnover with a small controlled increase in resources, generating increasing value. There were 318 employees employed as at 31 December 2019 (there were 302 as at 31 December 2018) with an average in the period of 311 employees (300 average in 2018).

Further hiring of personnel in the main company departments, such as research & development and sales, will be implemented during 2020 to continue to support the expected future growth, while keeping the operating leverage in place and strictly controlling operating costs.

EBITDA improved by €12.41 million and amounted to €20.53 million, compared with €8.13 million in 2018. EBITDA in 2019 as a percentage of revenues was 20.1%, compared with 10.3% in 2018.

EBIT showed a net improvement in the period in question, amounting to €16.61 million compared to €5.84 million in 2018. EBIT as a percentage of revenues amounted to 16.3% in 2019 compared to 7.4% in 2018. Amortisation/depreciation and impairment of tangible and intangible assets amounted to €3.92 million in 2019 compared to €2.28 million for amortisation/depreciation and impairment in 2018. The increase in amortisation/depreciation was mainly due to the effect of applying IFRS 16 for the first time.

In the first nine months of 2019, including the exchange rate effects, financial management recorded a positive result of €0.49 million, compared with a positive amount of €0.22 million in the first nine months of 2018.

The pre-tax profit for 2019 was €16.12 million compared to €5.62 million in 2018. This performance mainly reflects the improvement in the EBIT.

The Group net profit was €19.24 million, compared to €5.68 million in 2018. This performance reflects both the pre-tax profit and the accounting, during the financial year, for the deferred tax assets on the tax losses used to cover the taxable income for the year and the part of tax losses that could be reasonably used in subsequent years on the basis of convincing accounting findings.

Statement of financial position of the Eurotech Group

At 31 December 2019, the Group had a consolidated net financial position with net cash of €16.3 million, excluding financial liabilities for rights of use introduced by IFRS 16, compared to the amount, also net cash, of €0.9 million at 31 December 2018. The new method of recognising leases (Right of Use) set out in IFRS 16 "Leases" entailed the recognition by Group companies of financial liabilities for rights of use at 31 December 2019 equal to €4.0 million, which, subtracted from the net financial position, resulted in a post-IFRS 16 total net cash position of €12.3 million.

Group cash and cash equivalents were €30.7 million at 31 December 2019, while they were €13.2 million at year-end 2018.

Net working capital at 31 December 2019 came to €14.9 million, a decrease of €0.7 million compared with 31 December 2018 despite the significant increase in turnover. This performance was mainly due to the reduction in inventories and contract work in progress and the decreases in trade receivables that balanced out the decrease in the liabilities relating to trade payables and income tax payables. Net working capital as a percentage of turnover was 14.6%, well below both the 20% limit defined by management and the figure obtained at the end of 2018, which was 19.7%.

Group shareholders' equity was €124.7 million (€102.0 million at 31 December 2018).

Outlook and events after the reporting period

Management has clearly been monitoring the rapid changes in the global economic scenario in the last two months, keeping an eye on the effects on the Group business of the increase of lead times along the global supply chain for electronic components. Certain impacts in the form of delays in certain deliveries in the first and second quarter of the year will be inevitable, but limited. Customers have not cancelled any orders to date. Although the Group's operations have not yet been affected by the recent measures implemented by the Government to contain the spread of Covid-19 on the Italian territory, it is too early to assess the overall effects. In particular, the continuation of the Covid-19 crisis situation in Italy and its extension to Europe, Japan and America could lead to delays in the collection of new orders which, together with a foreseeable lengthening of the supply chain lead times, could affect the year's results.

At this stage, it will be important to manage the consequent short-term situation but without this deflecting attention from the medium and long term growth goals.

Eurotech will continue to operate and invest in the strategic direction laid out, with the purpose of maintaining its competitive position in the Embedded Computer area, and to exploit the technological advantages established thanks to the first-mover strategy in the Industrial IoT sector on the one hand, and in the emerging sector of High Performance Edge Computers on the other.

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

The revenues of Parent Company Eurotech S.p.A. grew 44.2% and totalled €29.48 million, compared to €20.45 million in 2018. EBIT for the year amounted to €3.3 million while it amounted to €0.78 million in 2018. There was a net profit of €8.38 million for the year (in 2018: €30.61 million, mainly due to the recovery value for the equity investment in Eurotech Inc. - held by the American holding E-Tech USA Inc. - for €27.20 million). The Shareholders' equity of Eurotech S.p.A. as at 31 December 2019 was €149.72 million, compared to €140.62 million in 2018. In 2019, the Parent Company posted a net financial position, or net cash, of €39.03 million, compared to €33.62 million in 2018.

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.

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.

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 30 March 2020.

ABOUT EUROTECH

Eurotech (ETH:IM) is a multinational company that designs, develops and supplies Edge Computers and Internet of Things (IoT) solutions – complete with services, software and hardware – to system integrators and enterprises. By adopting Eurotech solutions, customers have access to IoT building blocks and software platforms, to Edge Gateway to enable asset monitoring and to High Performance Edge Computers (HPEC) conceived also for Artificial Intelligence (AI) applications. To offer increasingly complete solutions, Eurotech has activated partnerships with leading companies in their field of action, thus creating a global ecosystem that allows it to create "best in class" solutions for the Industrial Internet of Things. For more information about Eurotech: www.eurotech.com

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ANNEXES - FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

(€ '000)	FY 2019	%	FY 2018	%
Sales revenue	101,973	100.0%	79,083	100.0%
Cost of material	(50,022)	-49.1%	(41,527)	-52.5%
Gross profit	51,951	50.9%	37,556	47.5%
Services costs	(13,204)	-12.9%	(12,269)	-15.5%
Lease & hire costs	(338)	-0.3%	(1,594)	-2.0%
Payroll costs	(20,383)	-20.0%	(18,197)	-23.0%
Other provisions and costs	(1,077)	-1.1%	(717)	-0.9%
Other revenues	3,586	3.5%	3,349	4.2%
EBITDA	20,535	20.1%	8,128	10.3%
Depreciation & Amortization	(3,914)	-3.8%	(2,064)	-2.6%
Asset impairment	(10)	0.0%	(220)	-0.3%
EBIT	16,611	16.3%	5,844	7.4%
Subsidiaries management	0	0.0%	(19)	0.0%
Finance expense	(1,002)	-1.0%	(1,056)	-1.3%
Finance income	516	0.5%	855	1.1%
Profit before tax	16,125	15.8%	5,624	7.1%
Income tax	3,117	3.1%	58	0.1%
Net profit (loss) of continuing operations before minority interest	19,242	18.9%	5,682	7.2%
Minority interest	0	0.0%	0	0.0%
Group net profit (loss) for period	19,242	18.9%	5,682	7.2%
Base earnings per share	0.554		0.166	
Diluted earnings per share	0.554		0.166	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at December 31, 2019	at December 31, 2018
ASSETS		
Intangible assets	88,905	85,369
Property, Plant and equipment	6,565	2,579
Investments in other companies	162	160
Deferred tax assets	7,981	3,025
Medium/long term borrowing allowed to affiliates companies and other Group companies	89	87
Other non-current assets	665	654
Total non-current assets	104,367	91,874
Inventories	21,256	21,998
Contracts in progress	-	86
Trade receivables	11,707	13,808
Income tax receivables	269	298
Other current assets	2,115	2,183
Other current financial assets	108	104
Cash & cash equivalents	30,687	13,196
Total current assets	66,142	51,673
Total assets	170,509	143,547
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(20,623)	(43,237)
Group shareholders' equity	124,656	102,042
Equity attributable to minority interest	-	-
Total shareholders' equity	124,656	102,042
Medium-/long-term borrowing	11,590	4,312
Employee benefit obligations	2,604	2,465
Deferred tax liabilities	3,097	3,035
Other non-current liabilities	1,060	782
Total non-current liabilities	18,351	10,594
Trade payables	11,562	14,411
Short-term borrowing	7,001	8,125
Derivative instruments	44	20
Income tax liabilities	1,182	1,571
Other current liabilities	7,713	6,784
Total current liabilities	27,502	30,911
Total liabilities	45,853	41,505
Total liabilities and equity	170,509	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 December 31, 2019	-	-	-	-	-	-	-	-	-	19,242	19,242	-	19,242
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	(24)	-	-	-	-	(24)	-	(24)
- Actuarial gains/(losses) on defined benefit plans for employees	-	-	-	-	-	-	(106)	-	-	-	(106)	-	(106)
- Foreign balance sheets conversion difference	-	-	-	2,001	-	-	-	-	-	-	2,001	-	2,001
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	725	-	-	725	-	725
Total Comprehensive result	-	-	-	2,001	-	(24)	(106)	725	-	19,242	21,838	-	21,838
- Performance Share Plan	-	-	-	-	(274)	-	-	-	1,050	-	776	-	776
Balance as at December 31, 2019	8,879	1,776	136,400	14,224	(58,907)	(44)	(531)	4,650	(1,033)	19,242	124,656	-	124,656

SUMMARY CASH FLOW STATEMENT

(€'000)		at December 31, 2019	at December 31, 2018
Cash flow generated (used) in operations	A	20,909	10,577
Cash flow generated (used) in investment activities	B	(4,307)	(3,237)
Cash flow generated (absorbed) by financial assets	C	844	(905)
Net foreign exchange difference	D	45	16
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	17,491	6,451
Opening amount in cash & cash equivalents		13,196	6,745
Cash & cash equivalents at end of period		30,687	13,196

NET FINANCIAL POSITION

(€'000)		at December 31, 2019	at December 31, 2018
Cash & cash equivalents	A	(30,687)	(13,196)
Cash equivalent	B=A	(30,687)	(13,196)
Other current financial assets	C	(108)	(104)
Derivative instruments	D	44	20
Short-term borrowing	E	7,001	8,125
Short-term financial position	F=C+D+E	6,937	8,041
Short-term net financial position	G=B+F	(23,750)	(5,155)
Medium/long term borrowing	H	11,590	4,312
Medium-/long-term net financial position	I=H	11,590	4,312
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions			
	J=G+I	(12,160)	(843)
Medium/long term borrowing allowed to affiliates companies and other Group companies	K	(89)	(87)
(NET FINANCIAL POSITION) NET DEBT	P L=J+K	(12,249)	(930)

WORKING CAPITAL

(€'000)	at December 31, 2019 (b)	at December 31, 2018 (a)	Changes (b-a)
Inventories	21,256	21,998	(742)
Contracts in progress	0	86	(86)
Trade receivables	11,707	13,808	(2,101)
Income tax receivables	269	298	(29)
Other current assets	2,115	2,183	(68)
Current assets	35,347	38,373	(3,026)
Trade payables	(11,562)	(14,411)	2,849
Income tax liabilities	(1,182)	(1,571)	389
Other current liabilities	(7,713)	(6,784)	(929)
Current liabilities	(20,457)	(22,766)	2,309
Net working capital	14,890	15,607	(717)