

EUROTECH: CONSOLIDATED REVENUES AT 31 MARCH 2020 AT €19.8 MILLION, EBITDA OF €1.7 MILLION (8.6% OF REVENUES) AND NET PROFIT OF €0.5 MILLION

Results of the Consolidated Interim Management Statement at 31 March 2020 approved by the BoD.

Amaro (UD), 14 May 2020

- Consolidated revenues at €19.8 million (-22.6% compared to 31 March 2019)
- Consolidated gross profit at €9.9 million (49.9% of revenues, -19.0% compared to 31 March 2019)
- Consolidated EBITDA at €1.7 million (8.6% of revenues, - €2.4 million compared to 31 March 2019)
- Consolidated EBIT at €0.8 million (4.2% of revenues, - €2.3 million compared to 31 March 2019)
- Group net profit at €0.5 million (2.6% of revenues, - €2.4 million compared to 31 March 2019)
- Net financial position with net cash at €10.4 million
- Strategic direction confirmed, despite Covid-19 emergency
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The Board of Directors of Eurotech S.p.A. today examined and approved the results of the first three months of 2020.

The Chief Executive Officer, Roberto Siagri, said: “The effects of the restrictive measures put in place in different countries to fight the pandemic have become apparent in this quarter. We can, in any case, be moderately satisfied to have closed also this quarter in profit. Because of current events, 2020 will be a year of transition, but the current crisis could also create more opportunities in the medium and long term, considering that digital transformation is the best antidote for companies to recover their profitability.”

Operating performance in the period

The first quarter reflected the impact of various effects, including those deriving from the stoppage of production activities at the beginning of the year in China following the health emergency linked to the spread of Coronavirus (Covid-19), the performance of orders collection in the second half of 2019 and some non-deliveries at the end of the quarter both because of the lockdown in Italy and the lockdown affecting some customers in European countries, which have prevented the planned deliveries.

After the expansion of the Covid-19 pandemic, the Group companies in all geographical areas have continued to use telematic channels to keep in touch with customers and suppliers to maintain supply

relationships active. From the point of view of internal organisation of the work, there was an immediate activation of procedures in all Group sites for the protection of staff who were unable to carry out their activities in smart-working mode. In spite of our willingness and our efforts, a reduction in production activities was experienced, especially in Europe, while product development and sale activities have always continued in smart-working mode, as have activities for the support of customers and POC (Proof of Concept) conclusion activities, in particular in the IoT (Internet of Things) sector.

In spite of the operating difficulties caused by the reaction of the various countries to the pandemic, we have been able to achieve a positive result in the last line of the income statement for this first quarter, thanks to a solid gross profit and a careful control of operating costs. This means that this is the 11th consecutive quarter in which we have achieved a breakeven or positive pre-tax profit.

Eurotech has continued to operate and invest in the strategic direction laid out, with the purpose of becoming a reference player in the emerging sectors of Edge Computers and Industrial IoT. Our technological leadership in these environments continues to be highlighted and enhanced also by the significant achievements in the creation of an ecosystem around our technologies, like the recent entry in the IBM Edge Ecosystem, presented at the IBM Think Digital conference as a partner ecosystem to help enterprises and telecommunications companies accelerate the transition to Edge Computing in the era of 5G and Artificial Intelligence..

Operating performance of the Eurotech Group

Group revenues in the first three months of 2020 totalled €19.75 million, down by 22.6% compared to the same period in 2019 when turnover was €25.50 million.

Gross profit in the period amounted to €9.87 million, accounting for 49.9% of turnover, compared to 47.8% in the first three months of 2019. The improvement in this parameter is a function of the product mix sold and the relative weighting of the three business lines: embedded computers, HPECs and IoT. In percentage terms, the gross profit reflects what was forecast in the plan for the year, i.e. a value close to 50%.

In the quarter under review, operating costs gross of the applied adjustments amounted to €8.70 million, with an increase of 1.1% compared to the €8.61 million in the first quarter of 2019. At constant exchange rates, however, this would have shown a slight decrease of €79 thousand, equal to 0.9%. In virtue of the fables model adopted, operating costs are essentially fixed and, as it was demonstrated last year, increasing turnover leads to the activation of a significant operating lever. This is demonstrated by the incidence of gross operating costs on revenues, which in percentage terms was 44.0% compared to 33.7% in the first quarter of 2019, remaining in line with the 43.8% achieved in the first quarter of 2018, when turnover amounted to €17.89 million.

EBITDA for the first three months was €1.7 million (8.6% of revenues) compared with €4.08 million in 2019 (16.0% of revenues), reflecting the trend of both gross profit and of operating costs and other revenues.

EBIT in the first three months of 2020 came to €0.82 million (4.2% of revenues), compared to €3.14 million in the first three months of 2018 (12.3% of revenues).

Pre-tax profit for the first three months under review was of €0.87 million, versus a profit of €3.07 million for the first three months of 2019. The decrease in the pre-tax result, equal to €2.20 million, reflects the effect of the reduction in turnover.

The Group net profit in the period under review was €0.51 million (€2.96 million in the first three months of 2019). In addition to reflecting the changes in the pre-tax result, the performance derives from the different tax burden recorded overall on the Group's units, while in 2019 the incidence of taxes was limited due to the effect of the recording of part of deferred tax assets arising from tax losses of previous years not accounted for.

Statement of financial position of the Eurotech Group

At 31 March 2020, the Group had a consolidated net financial position with net cash of €10.38 million, compared to the amount, also net cash, of €12.25 million at 31 December 2019.

Group cash and cash equivalents were €27.79 million at 31 March 2020, while they were €30.69 million at the end of 2019.

This change is mainly due to the increase in net working capital which amounted to €17.53 million at 31 March 2020, an increase of €2.64 million compared with 31 December 2019. The performance of the first quarter is mainly due to the increase in trade receivables, added to the reduction at the same time in the current liabilities in all items. On an annual basis, the ratio between net working capital and turnover is still under the target value of 20%, which is the management's objective.

Group shareholders' equity was €127.67 million (€124.66 million at 31 December 2019).

Outlook at 31 March 2020 and events after the reporting period

Eurotech's management continues to pay close attention to the rapid development of the world economic scenario. Continued lockdowns or a worsening of the pandemic could create a new lengthening of lead times along the supply chain. At present, some impacts in the form of slippage in some of the deliveries in the second quarter of the year will be likely but are expected to be limited. No cancellations of orders by customers have been received to date, however the lockdown situation in various countries has caused, and will continue to cause also in the next few months, a slowdown in new orders collection, in particular from new customers or for new projects with long-standing customers. Even if the Group's operations have been marginally affected by the measures put in place by governments to contain the spread of Covid-19, it is too early to assess their global effects: visibility is low and customers are showing extreme caution in issuing orders beyond what is strictly necessary for the operation of their plants. It will be important at this stage to manage

the contingent situation in the short term, without however letting this distract us from our medium and long term growth objectives.

Eurotech will continue to operate and invest in the strategic direction laid out, with the purpose of retaining our competitive positioning in the field of Embedded Computers, and to exploit the technological advantage achieved 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.

It is reported that in compliance with the provisions of CONSOB, the Consolidated Interim Financial Report at 31 March 2020 is available to anyone upon request at the registered office. The Report is also available on the website of Eurotech 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., Mr. Sandro Barazza, states, pursuant to article 154-bis, paragraph 2 of the Consolidated Law on Finance, 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 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

CONSOLIDATED INCOME STATEMENT						
(€ '000)	1Q 2020 (b)	%	1Q 2019 (a)	%	change (b-a)	
					amount	%
Sales revenue	19,752	100.0%	25,505	100.0%	(5,753)	-22.6%
Cost of material	(9,886)	-50.1%	(13,324)	-52.2%	(3,438)	-25.8%
Gross profit	9,866	49.9%	12,181	47.8%	(2,315)	-19.0%
Services costs	(3,112)	-15.8%	(3,070)	-12.0%	42	1.4%
Lease & hire costs	(113)	-0.6%	(96)	-0.4%	17	17.7%
Payroll costs	(5,271)	-26.7%	(5,220)	-20.5%	51	1.0%
Other provisions and costs	(201)	-1.0%	(220)	-0.9%	(19)	-8.6%
Other revenues	526	2.7%	503	2.0%	23	4.6%
EBITDA	1,695	8.6%	4,078	16.0%	(2,383)	-58.4%
Depreciation & Amortization	(874)	-4.4%	(934)	-3.7%	(60)	-6.4%
EBIT	821	4.2%	3,144	12.3%	(2,323)	-73.9%
Finance expense	(324)	-1.6%	(391)	-1.5%	(67)	-17.1%
Finance income	372	1.9%	320	1.3%	52	16.3%
Profit before tax	869	4.4%	3,073	12.0%	(2,204)	-71.7%
Income tax	(360)	-1.8%	(118)	-0.5%	242	205.1%
Net profit (loss) of continuing operations before minority interest	509	2.6%	2,955	11.6%	(2,446)	-82.8%
Minority interest	0	0.0%	0	0.0%	0	n/a
Group net profit (loss) for period	509	2.6%	2,955	11.6%	(2,446)	-82.8%
Base earnings per share	0.015		0.086			
Diluted earnings per share	0.015		0.086			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at March 31, 2020	at December 31, 2019
ASSETS		
Intangible assets	90,969	88,905
Property, Plant and equipment	7,129	6,565
Investments in other companies	165	162
Deferred tax assets	7,802	7,981
Medium/long term borrowing allowed to affiliates companies and other Group companies	91	89
Other non-current assets	680	665
Total non-current assets	106,836	104,367
Inventories	20,005	21,256
Trade receivables	13,175	11,707
Income tax receivables	140	269
Other current assets	2,293	2,115
Other current financial assets	110	108
Cash & cash equivalents	27,785	30,687
Total current assets	63,508	66,142
Total assets	170,344	170,509
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(17,608)	(20,623)
Group shareholders' equity	127,671	124,656
Equity attributable to minority interest	-	-
Total shareholders' equity	127,671	124,656
Medium-/long-term borrowing	9,922	11,590
Employee benefit obligations	2,720	2,604
Deferred tax liabilities	3,177	3,097
Other non-current liabilities	1,082	1,060
Total non-current liabilities	16,901	18,351
Trade payables	10,788	11,562
Short-term borrowing	7,643	7,001
Derivative instruments	43	44
Income tax liabilities	445	1,182
Other current liabilities	6,853	7,713
Total current liabilities	25,772	27,502
Total liabilities	42,673	45,853
Total liabilities and equity	170,344	170,509

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, 2019	8,879	1,776	136,400	14,224	(58,907)	(44)	(531)	4,650	(1,033)	19,242	124,656	-	124,656
2019 Result allocation	-	-	-	-	19,242	-	-	-	-	(19,242)	-	-	-
Profit (loss) as at March 31, 2020	-	-	-	-	-	-	-	-	-	509	509	-	509
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	1	-	-	-	-	1	-	1
- Foreign balance sheets conversion difference	-	-	-	1,344	-	-	-	-	-	-	1,344	-	1,344
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	1,021	-	-	1,021	-	1,021
Total Comprehensive result	-	-	-	1,344	-	1	-	1,021	-	509	2,875	-	2,875
- Performance Share Plan	-	-	-	-	76	-	-	-	64	-	140	-	140
Balance as at March 31, 2020	8,879	1,776	136,400	15,568	(39,589)	(43)	(531)	5,671	(969)	509	127,671	-	127,671

SUMMARY CASH FLOW STATEMENT

(€'000)		at March 31, 2020	at December 31, 2019	at March 31, 2019
Cash flow generated (used) in operations	A	(304)	20,909	(785)
Cash flow generated (used) in investment activities	B	(1,712)	(4,307)	(894)
Cash flow generated (absorbed) by financial assets	C	(1,196)	844	525
Net foreign exchange difference	D	310	45	151
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(2,902)	17,491	(1,003)
Opening amount in cash & cash equivalents		30,687	13,196	13,196
Cash & cash equivalents at end of period		27,785	30,687	12,193

NET FINANCIAL POSITION

(€'000)		at March 31, 2020	at December 31, 2019	at March 31, 2019
Cash & cash equivalents	A	(27,785)	(30,687)	(12,193)
Cash equivalent	B=A	(27,785)	(30,687)	(12,193)
Other current financial assets	C	(110)	(108)	(105)
Derivative instruments	D	43	44	24
Short-term borrowing	E	7,643	7,001	11,476
Short-term financial position	F=C+D+E	7,576	6,937	11,395
Short-term net financial position	G=B+F	(20,209)	(23,750)	(798)
Medium/long term borrowing	H	9,922	11,590	6,342
Medium-/long-term net financial position	I=H	9,922	11,590	6,342
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions		(10,287)	(12,160)	5,544
Medium/long term borrowing allowed to affiliates companies and other Group	K	(91)	(89)	(89)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	(10,378)	(12,249)	5,455

NET WORKING CAPITAL

(€'000)	at March 31, 2020 (b)	at December 31, 2019 (a)	at March 31, 2019	Changes (b-a)
Inventories	20,005	21,256	23,396	(1,251)
Trade receivables	13,175	11,707	17,181	1,468
Income tax receivables	140	269	573	(129)
Other current assets	2,293	2,115	2,564	178
Current assets	35,613	35,347	43,714	266
Trade payables	(10,788)	(11,562)	(15,259)	774
Income tax liabilities	(445)	(1,182)	(622)	737
Other current liabilities	(6,853)	(7,713)	(6,879)	860
Current liabilities	(18,086)	(20,457)	(22,760)	2,371
Net working capital	17,527	14,890	20,954	2,637