EUROTECH
Imagine. Build. Succeed.

PRESS RELEASE

EUROTECH: 2018 FIRST HALF REVENUES AT € 37.3 MILLION (+69,6%), EBITDA € 3.6 MILLION (9,7% OF REVENUES) AND NET PROFIT € 1.9 MILLION WITH OPERATING CASH FLOW GENERATION FOR €5.0 MILLION

BoD approves the consolidated half-year results at 30 June 2018

Amaro (Italy), 7 September 2018

- Consolidated revenues: from €22.00 million in 2017 to €37.32 million in 2018
- Consolidated gross profit: from €9.87 million in 2017 to €18.03 million in 2018
- Consolidated EBITDA: from -€4.40 million in 2017 to €3.63 million in 2018
- Consolidated EBIT: from -€6.85 million in 2017 to €2.68 million in 2018
- Consolidated pre-tax result: from -€7.88 million in 2017 to €2.61 million in 2018
- Group net result: from -€7.02 million in 2017 to €1.91 million in 2018
- Net financial debt: €2.84 million
- Shareholders' equity pertaining to the Group: €96.10 million

The Board of Directors of Eurotech S.p.A. examined and approved the results of the first half of 2018 today.

Chief Executive Officer, Roberto Siagri: "The result of Eurotech in the first half of 2018 was, even at constant exchange rates, the highest of the last five years, with a positive net result for the period of Euro 1.91 million. This result confirms that investments in innovation in past years have intercepted new technological trends, giving the company the ability to compete worldwide. The new range of products developed allows us to tackle the nascent markets of Edge Computing, HPEC (High Performance Embedded Computing) and Industrial IoT. Satisfaction with the positive results does not distract our attention from the constant control of costs and we remain vigilant towards the possible change of the global macroeconomic scenario in which we operate."

In the first half of 2018, the Group recorded a positive performance in terms of sales, confirming the continuation of the upward turnover trend already seen in the second half of 2017. The revenues of the Group in the first half were €37.32 million, up by 69.6% with respect to the same period of 2017 in which the turnover had been €22.00 million. At constant exchange rates, the increase would be higher still, 83.3%. As we noted last year, commenting on the first six months of 2017 and as today the results show, the low revenues of the semester reflected a particularly negative economic phase that some important customers of ours were facing. The second quarter of 2018 confirmed the growth trend seen in the first quarter and started already in the third quarter of last year.

All geographic regions contributed to the increase in revenues. The US region ended the six-month period with an 81.7% increase with respect to the first half of 2017, generating 41.6% of the revenues of the Group. The performance in Japan was also very positive: 33.3% of the revenues were generated in this region, which therefore has remained, as it was at the end of last year, the second reference area of the Group. Growth in this area was 29.1% with respect to the comparison period. Lastly, the growth recorded in the European area positively stood out with a +147.3% and an incidence of 22.3% on Group revenues. The magnitude of the growth trend is amplified by the comparison with a particularly weak first half of 2017, but the homogeneity of this trend among all geographical areas is a good indicator of the structural and not extemporary nature of the growth of the business.

The orders in portfolio confirm the forecasted growth will stay in the double-digit range in the remaining part of the year. The company continues to carefully monitor the evolution of the orders from its main customers, as well as the global economic scenario and the course of the availability of part of the electronic components, which in some cases are having delivery times higher than the standard. This situation may have some impacts on the speed of turning orders into turnover, without affecting the development of the business in terms of order collection.

In the IoT and in the Edge Computing sectors, Eurotech continues to be a technology leader thanks to its product portfolio and to the creation and continuous implementation of an ecosystem of partners. The number of POC (Proof Of Concept) projects successfully completed continue to grow, as well as the beginning of the series implementation phases in the IoT and Edge Computing fields.

The management remains confident that with the start of series production for our customers, which operate in both B2B and B2B2C, the Group will continue to grow in the future.

Gross profit in the period was €18.03 million, accounting for 48.3% of revenues, compared to 44.9% in the first half of 2017. This value is in line with the value recorded in 2017 (48.5%). Maintaining gross profit close to 50% in the various quarters shows the group's ability to develop and sell innovative products that meet the needs of the market.

Operating costs before adjustments were down in the first six months of 2018 by €0.46 million (2.8%). This shows that the management continues to pay attention to operating costs. In the coming quarters with the expected growth of the turnover the organizational structure will have to be implemented, however the company will keep its structure lean and will act where the growth of the organization is strictly correlated to the growth of the turnover and the customer base.

The growth of the turnover has positive effects also on profitability, since it allows the activation of the operating leverage. The six-month period shows this effect and proves that the operating cost structure mostly consists of fixed costs, therefore with few variable costs that are dependent on revenues. This is clear analysing the incidence in percentage terms of operating costs on turnover: this incidence in fact went from 74.9% in the first half of 2017 to 42.9% in the first half of 2018.

Payroll costs were equal to €8.91 million, with an incidence on revenues of 23.9%, sharply down with respect to the same period of the previous year (42.7%). The workforce at 30 June 2018 was 303 (294 at 31 December 2017 and 303 at 30 June 2017), with an average for the period of 297 employees (308 in the first half of 2017).

The gross operating margin (EBITDA) was €3.63 million, against -€4.40 million in the first half of 2017, with a 9.7% incidence on revenues (-20.0% in the same period of 2017), reflecting the performance both of gross profit and of operating costs and other revenues. The half-year figure confirms and improves that of the first quarter, in which EBITDA stood at 9.1% of revenues.

EBIT was equal to €2.68 million against a negative €6.85 million in the first half of 2017. EBIT as a percentage of revenues was 7.2% in the first half, against -31.2% in the same period of 2017. This performance reflects the performance of EBITDA, already described above, and the recognition of amortisation and depreciation of intangible assets and property, plant and equipment for €0.95 million against €2.46 million recognised in the same period of 2017. The depreciation and amortisation recognised in 2017 included €1.22 million representing the impact of the price allocation for the purchase of Advanet Inc. As the impact of the price allocation ended in 2017, it has no effect on 2018.

Affected by the performance of currencies, financial operations during the first six months of 2018 generated a loss of €0.05 million, against a €0.91 million loss in the first six months of 2017. The performance of the financial operations was affected by the different currency trends. Overall, in fact, foreign exchange differences resulted in a gain of €169 thousand in the period against a €734 thousand loss in the first half of 2017, while financial operations relating to interest payments had an effect of €201 thousand against €173 thousand in the first half of 2017.

Pre-tax profit was €2.61 million, against a €7.88 million loss in the first six months of 2017. The improvement of the pre-tax result, equal to €10.49 million, reflects the combined effect of higher EBIT (€9.54 million) and the positive performance of financial operations and equity investments (€0.95 million). The effects of the price allocation on the pre-tax result were €1.22 million only for the first three months of 2017.

The estimated tax burden was equal to €0.70 million, with a 26.7% tax rate due to the use of tax losses not recognised at 31 December 2017 in the some of the Group companies.

The net income of the Group was equal to €1.91 million, a significant increase with respect to -€7.02 million of the first half of 2017, with an incidence on revenues equal to 5.1%. The total PPA effects on the Group net income, only in the first half of 2017, were €0.79 million.

The achievement of the positive result in connection with the reduction of working capital made possible to show positive operating cash flows to the full advantage of the increase in cash and cash equivalents, which totalled €8.33 million.

At 30 June 2018, the Group had halved its net financial debt with respect to 31 December 2017: reduction from €5.65 million to €2.84 million was mainly due to the positive effect of the gross operating margin for €3.63 million, the decrease in working capital equal to €0.58 million, and the net investment in property, plant and equipment and intangible assets for €1.34 million.

Net working capital is lower than that shown both at 31 December 2017 and 31 March 2018, amounting to € 17.21 million compared to € 17.72 million at the end of 2017 and to € 17.35 million at the end of the first quarter.

Pursuant to the provisions set out by CONSOB, it is reported that the Consolidated Half-Year Financial Report at 30 June 2018 is at the disposal of whoever requests it at the company's 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.

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 documentable results, books and accounting records of the company.

ABOUT EUROTECH

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 solutions, customers gain access to the most recent open-source software stacks and standards, flexible and sturdy 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" 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.

Company contacts:

Investor Relations
Andrea Barbaro
Tel. +39 0433 485411
e-mail: andrea.barbaro@eurotech.com

Corporate Communication
Giuliana Vidoni
Tel. +39 0433 485411
e-mail: giuliana.vidoni@eurotech.com

ANNEXES - FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT (€ '000)	1H 2018 (b)	of which related parties	%	1H 2017 (a)	of which related parties	%	change (b-a) amount	change (b-a) %
Sales revenue	37,322	642	100.0%	22,003	370	100.0%	15,319	69.6%
Cost of material	(19,288)		-517%	(12,130)	(418)	-55.1%	7,158	-59.0%
Gross profit	**18,034**		**48.3%**	**9,873**		**44.9%**	**8,161**	**82.7%**
Services costs	(5,878)	(1)	-15.7%	(5,807)	(12)	-26.4%	71	-12%
Lease & hire costs	(823)		-2.2%	(898)		-4.1%	(75)	8.4%
Payroll costs	(8,909)		-23.9%	(9,397)		-42.7%	(488)	5.2%
Other provisions and costs	(413)		-1.1%	(377)		-17%	36	9.5%
Other revenues	1,618		4.3%	2,208		10.0%	(590)	-26.7%
EBITDA	**3,629**		**9.7%**	**(4,398)**		**-20.0%**	**8,027**	**-182.5%**
Depreciation & Amortization	(948)		-2.5%	(2,456)		-11.2%	(1,508)	-614%
EBIT	**2,681**		**7.2%**	**(6,854)**		**-31.2%**	**9,535**	**139.1%**
Share of associates' profit of equity	0		0.0%	(3)		0.0%	(3)	100.0%
Subsidiaries management	(19)		-0.1%	(113)				
Finance expense	(649)		-17%	(1,314)		-6.0%	(665)	-50.6%
Finance income	597	7	16%	406		18%	191	47.0%
Profit before tax	**2,610**		**7.0%**	**(7,878)**		**-35.8%**	**10,488**	**133.1%**
Income tax	(697)		-19%	861		3.9%	1,558	1810%
Net profit (loss) of continuing operations before minority interest	**1,913**		**5.1%**	**(7,017)**		**-31.9%**	**8,930**	**127.3%**
Minority interest	**0**		**0.0%**	**0**		**0.0%**	**0**	**n/a**
Group net profit (loss) for period	**1,913**		**5.1%**	**(7,017)**		**-31.9%**	**8,930**	**127.3%**
Base earnings per share	**0.056**			**(0.205)**				
Diluted earnings per share	**0.056**			**(0.205)**				

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at June 30, 2018	of which related parties	at December 31, 2017	of which related parties
ASSETS				
Intangible assets	83,356		79,968	
Property, Plant and equipment	2,368		2,436	
Investments in affiliate companies	0		0	
Investments in other companies	131		144	
Deferred tax assets	1,335		1,283	
Medium/long term borrowing allowed to affiliates companies and other Group companies	86	86	83	83
Other non-current assets	630		618	
Total non-current assets	**87,906**		**84,532**	
Inventories	20,301		17,821	
Contracts in progress	816	816	412	412
Trade receivables	14,177	289	15,623	252
Income tax receivables	217		204	
Other current assets	1,845		1,782	
Other current financial assets	97	8	95	5
Cash & cash equivalents	8,333		6,745	
Total current assets	**45,786**		**42,682**	
Non-current assets classified as held for sale	**19**		**28**	
Total assets	**133,711**		**127,242**	
Share capital	8,879		8,879	
Share premium reserve	136,400		136,400	
Other reserves	(49,174)		(54,582)	
Group shareholders' equity	**96,105**		**90,697**	
Equity attributable to minority interest	**0**		**0**	
Total shareholders' equity	**96,105**		**90,697**	
Medium-/long-term borrowing	1,848		1,844	
Employee benefit obligations	2,385		2,343	
Deferred tax liabilities	2,974		2,816	
Other non-current liabilities	739		688	
Total non-current liabilities	**7,946**		**7,691**	
Trade payables	13,451	137	13,088	149
Short-term borrowing	9,507		10,720	
Derivative instruments	6		9	
Income tax liabilities	704		262	
Other current liabilities	5,992		4,775	
Total current liabilities	**29,660**		**28,854**	
Total liabilities	**37,606**		**36,545**	
Total liabilities and equity	**133,711**		**127,242**	

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 June 30, 2018	-	-	-	-	-	-	-	-	-	1,913	1,913	-	1,913
Comprehensive other profit (loss):													
- Hedge transactions	-	-	-	-		3	-	-	-	-	3	-	3
- Foreign balance sheets conversion difference	-	-	-	2,193	-			-	-	-	2,193	-	2,193
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	997	-	-	997	-	997
Total Comprehensive result	**-**	**-**	**-**	**2,193**	**-**	**3**	**-**	**997**	**-**	**1,913**	**5,106**	**-**	**5,106**
- Performance Share Plan	-	-	-	-	302	-	-	-	-	-	302	-	302
Balance as at June 30, 2018	8,879	1,385	136,400	11,010	(63,200)	(6)	(456)	3,277	(3,097)	1,913	96,105	-	96,105

CONCISE CASH FLOW STATEMENT

(€'000)		at June 30, 2018	at December 31, 2017	at June 30, 2017
Cash flow generated (used) in operations	A	5,037	(788)	(3,192)
Cash flow generated (used) in investment activities	B	(1,306)	(1,625)	(225)
Cash flow generated (absorbed) by financial assets	C	(1,637)	896	2,949
Net foreign exchange difference	D	(506)	(924)	(103)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	1,588	(2,441)	(571)
Opening amount in cash & cash equivalents		6,745	9,186	9,186
Cash & cash equivalents at end of period		8,333	6,745	8,615

NET FINANCIAL POSITION

(€'000)		at June 30, 2018	at December 31, 2017	at June 30, 2017
Cash & cash equivalents	A	(8,333)	(6,745)	(8,615)
Cash equivalent	**B=A**	**(8,333)**	**(6,745)**	**(8,615)**
Other current financial assets	C	(97)	(95)	(84)
Derivative instruments	D	6	9	11
Short-term borrowing	E	9,507	10,720	10,314
Short-term financial position	**F=C+D+E**	**9,416**	**10,634**	**10,241**
Short-term net financial position	**G=B+F**	**1,083**	**3,889**	**1,626**
Medium/long term borrowing	H	1,848	1,844	4,519
Medium-/long-term net financial position	**I=H**	**1,848**	**1,844**	**4,519**
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	**J=G+I**	**2,931**	**5,733**	**6,145**
Medium/long term borrowing allowed to affiliates companies and other Group companies	K	(86)	(83)	(92)
(NET FINANCIAL POSITION) NET DEBT	**L=J+K**	**2,845**	**5,650**	**6,053**

NET WORKING CAPITAL

(€'000)	at June 30, 2018 (b)	at December 31, 2017 (a)	at June 30, 2017	Changes (b-a)
Inventories	20,301	17,821	18,543	2,480
Contracts in progress	816	412	0	404
Trade receivables	14,177	15,623	9,591	(1,446)
Income tax receivables	217	204	403	13
Other current assets	1,845	1,782	1,990	63
Current assets	*37,356*	*35,842*	*30,527*	*1,514*
Trade payables	(13,451)	(13,088)	(9,215)	(363)
Income tax liabilities	(704)	(262)	(183)	(442)
Other current liabilities	(5,992)	(4,775)	(6,112)	(1,217)
Current liabilities	*(20,147)*	*(18,125)*	*(15,510)*	*(2,022)*
Net working capital	**17,209**	**17,717**	**15,017**	**(508)**