

EUROTECH: RESULTS OF THE CONSOLIDATED INTERIM MANAGEMENT STATEMENT AT 30 SEPTEMBER 2019 APPROVED BY THE BOD. BOD CHAIRMAN APPOINTED AND 3 DIRECTORS CO-OPTED

Revenues at 30 September 2019 at €79.7 million (+33.4% at constant exchange rates), EBITDA €16.2 million (20.3% of revenues) and net profit €11.9 million.

Amaro (Italy), 13 November 2019

- Consolidated revenues at €79.7 million (+39.9% compared to 30 September 2018, +33.4% at constant exchange rates)
- Consolidated gross profit at €40.0 million (50.3% of revenues, +45.7% compared to 30 September 2018)
- Consolidated EBITDA at €16.2 million (20.3% of revenues, €+10.6 million compared to 30 September 2018)
- Consolidated EBIT at €13.2 million (16.6% of revenues, €+9.1 million compared to 30 September 2018)
- Consolidated pre-tax profit at €13.1 million (16.5% of revenues, €+9.1 million compared to 30 September 2018)
- Group net profit at €11.9 million (15.0% of revenues, €+8.6 million compared to 30 September 2018)
- Net financial position with net cash of €5.2 million (it would have been €9.0 million without application of the new IFRS 16 - Leases)
- Group shareholders' equity: €120.4 million

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

The Chief Executive Officer Roberto Siagri commented: "We are satisfied with the growth in revenues and margins that we have been able to achieve over the past two years. And so, we are looking to the third quarter with confidence and we are already working to lay the foundation for another expansion phase over the medium to long-term".

Operating performance in the period

Following the good performance of the first and second quarter, over 30% growth in turnover was maintained also in the third quarter compared to 9M18, thanks to the orders collected over the last 18 months. EBITDA margin higher than 20% of revenues was achieved by combining this growth with the improvement of the gross profit owing to the mix of products sold, and including a slight rise in operating costs supporting strategic business.

The turnover amounting to €79.6 million is already higher in these nine months of 2019 than the turnover achieved in the twelve months of 2018. The geographical areas of the United States and Europe contributed the most to this increase in turnover, growing 71.3% and 56.9%, respectively, compared to 9M18. Japan, on the other hand, kept up a constant level of turnover in the two years compared.

The Group continued to operate and invest in the strategic direction laid out, with the purpose of remaining one of the players of reference in the field of Embedded Computers, and to assert itself as one of the major technological leaders also in the emerging sector of Edge Computers and Industrial IoT. This leadership role continues to be underscored and corroborated by the research of many market research and consultancy companies of the sector.

Operating performance of the Eurotech Group

Group revenues in 9M19 totalled €79.70 million, up by 39.9% compared to 9M18 when turnover was €56.97 million. At constant exchange rates, the increase would be 33.4%.

Gross profit in the period amounted to €40.05 million, accounting for 50.3% of turnover, compared to 48.2% in 9M18. This value improved also compared to that of 1H19 (accounting for 49.7%) and that recorded for the year 2018 (which amounted to 47.5%). In percentage terms, the gross profit reflects what was forecast in the plan for the year, i.e. a value close to 50%.

As regards operating costs, they accounted for 32.4% of revenues in the nine months, in line with what was recorded in 1H19, sharply improved compared to the 42.7% of 9M18. In absolute value, operating costs were up in 9M19 by €1.50 million (6.1%) to service present and future growth in revenues. Additional costs in the areas of research & development and sales will be incurred during the quarters to come to support additional growth in turnover and to increase ability to attract new customers. The very low growth in operating costs, considerably lower than the increase in revenues, keeps operating leverage active in a perspective of continuous growth in value. The entry into force this year of IFRS 16 entailed a reduction in operating costs of €1.1 million.

EBITDA for 9M19 was €16.19 million (20.3% of revenues) compared with €5.61 million in 2018 (9.8% of revenues), reflecting the trend of both gross profit and of operating costs and other revenues.

EBIT came to €13.25 million in 9M19 (16.6% of revenues), compared to €4.15 million in 9M18 (7.3% of revenues).

In the first nine months of 2019, including the exchange rate effects, financial management recorded a loss of €0.13 million, compared with a loss of €0.14 million in the first nine months of 2018.

The Group booked a pre-tax profit in 9M19 of €13.12 million, versus a profit of €3.99 million in 9M18. The improvement of the pre-tax result, equal to €9.12 million, reflects mainly the improvement of EBIT.

The Group net profit in the period under review was €11.93 million (€3.38 million in 9M18). Performance not only reflected the changes in the pre-tax profit, but comes from the estimated taxes that 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 only the expected year-end results.

With regard to the third quarter, all of the indicators monitored by the Group continued to be positive, as they were in the previous quarters.

Specifically, turnover was €26.7 million (€19.7 million in 3Q18), up 35.7% compared to the same quarter the year before; the value of the turnover of the quarter corresponds to 33.5% of the turnover of the nine-month period, similar to that of last year (34.5%).

In the quarter under review, the gross profit (51.4%) was constant compared to the second quarter of the year, and is up both compared to 1Q19 and to the single quarters of 2018.

3Q19 EBITDA was positive for €5.3 million (19.9%), while it was positive for €2.0 million in 3Q18 (10.1%). Full activation of operating leverage is seen also in the third quarter with the growth in turnover and the prudent management of operating costs.

3Q19 EBIT was influenced by the margins described and amounted to €4.3 million (16.2% of revenues), versus a positive result of €1.5 million (7.5% of revenues) in the same period of 2018.

These trends contributed to generate the interim nine months results mentioned above.

Statement of financial position of the Eurotech Group

At 30 September 2019, the Group had a consolidated net financial position with net cash of €9.0 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 30 September 2019 equal to €3.8 million, which, subtracted from the net financial position, resulted in a post-IFRS 16 total net cash position of €5.2 million.

Group cash and cash equivalents were €24.9 million at 30 September 2019, while they were €13.2 million at year-end 2018.

Net working capital at 30 September 2019 came to €20.7 million, an increase of €5.12 million compared with 31 December 2018. This trend is mainly due to the increase in trade receivables due to the higher turnover enjoyed during the last 6 months, and to the lower trade payables. On an annual basis, the ratio between net working capital and turnover is still close to the target value of 20%.

Group shareholders' equity was €120.4 million (€102.0 million at 31 December 2018).

Outlook and events after the reporting period

On the basis of the portfolio of existing orders, 4Q19 turnover will be in line with that attained last year, but with higher margins that will therefore have a positive effect on the interim economic results so that results similar to those represented up to this point can be confirmed.

The effort put forth in addressing larger customers in the IoT and Edge Computing fields, mainly in the European and United States geographical areas, should bear its fruit in the medium-term and thus create the foundation for a new expansion of Group turnover.

Appointment of directors, Chairman of the Board of Directors and integration of board Committees

Today the Board of Directors also co-opted three directors after three directors resigned on 15 October 2019. Ms. Susanna Curti, Mr. Aldo Fumagalli and Mr. Antongiulio Marti, who also declared that they were not independent, were appointed as non-executive directors by co-option. The Curriculum Vitae of the co-opted Directors is available on the company's website www.eurotech.com in the Investors/Company Information section. Based on the statement made to the Company, none of the three directors holds directly and/or indirectly shares of Eurotech.

Mr. Roberto Siagri, former Deputy Chairman and Chief Executive Officer, was also appointed Chairman of the Board of Directors of Eurotech.

Lastly, two of the board committees were integrated following the resignations of 15 October 2019. The independent director Giulio Antonello was appointed to the Remuneration Committee, and the independent director Carmen Pezzuto was appointed to the Control and Risks Committee.

As a result, the Board of Directors of Eurotech is formed by:

- Roberto Siagri, Chairman and CEO
- Dino Paladin, Deputy Chairman and non-executive director
- Giulio Antonello, non-executive and independent director
- Riccardo Costacurta, non-executive and independent director
- Susanna Curti, non-executive director
- Aldo Fumagalli, non-executive director
- Antongiulio Marti, non-executive director

- Chiara Mio, non-executive and independent director
- Carmen Pezzuto, non-executive and independent director

Following their integration, the board committees are formed by:

Remuneration Committee:	Chiara Mio (Chairperson) Giulio Antonello Riccardo Costacurta
Control and Risks Committee:	Chiara Mio (Chairperson) Riccardo Costacurta Carmen Pezzuto
Committee for Related Party Transactions:	Riccardo Costacurta (Chairman) Chiara Mio Carmen Pezzuto
Appointments Committee:	Chiara Mio (Chairperson) Giulio Antonello Roberto Siagri

It is reported that in compliance with the provisions of CONSOB, the Consolidated Interim Financial Report at 30 September 2019 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	3rd Qtr 2019	%	3rd Qtr 2018	%	9M 2019 (b)	%	9M 2018 (a)	%	change (b-a)	
(€ '000)									amount	%
Sales revenue	26,660	100%	19,652	100%	79,698	100.0%	56,974	100.0%	22,724	39.9%
Cost of material	(12,950)	-48.6%	(10,206)	-51.9%	(39,648)	-49.7%	(29,494)	-51.8%	10,154	34.4%
Gross profit	13,710	51.4%	9,446	48.1%	40,050	50.3%	27,480	48.2%	12,570	45.7%
Services costs	(3,255)	-12.2%	(3,129)	-15.9%	(9,682)	-12.1%	(9,007)	-15.8%	675	7.5%
Lease & hire costs	(89)	-0.3%	(402)	-2.0%	(250)	-0.3%	(1,225)	-2.2%	(975)	-79.6%
Payroll costs	(5,276)	-19.8%	(4,673)	-23.8%	(15,351)	-19.3%	(13,582)	-23.8%	1,769	13.0%
Other provisions and costs	(132)	-0.5%	(114)	-0.6%	(554)	-0.7%	(527)	-0.9%	27	5.1%
Other revenues	360	1.4%	854	4.3%	1,979	2.5%	2,472	4.3%	(493)	-19.9%
EBITDA	5,318	19.9%	1,982	10.1%	16,192	20.3%	5,611	9.8%	10,581	188.6%
Depreciation & Amortization	(1,012)	-3.8%	(511)	-2.6%	(2,932)	-3.7%	(1,459)	-2.6%	1,473	101.0%
Asset impairment	0	0.0%	0	0.0%	(10)	0.0%	0	0.0%	10	n/a
EBIT	4,306	16.2%	1,471	7.5%	13,250	16.6%	4,152	7.3%	9,098	219.1%
Subsidiaries management	0	0.0%	0	0.0%	0	0.0%	(19)	0.0%	(19)	-100.0%
Finance expense	(374)	-1.4%	(162)	-0.8%	(880)	-1.1%	(811)	-1.4%	69	8.5%
Finance income	492	1.8%	74	0.4%	746	0.9%	671	1.2%	75	11.2%
Profit before tax	4,424	16.6%	1,383	7.0%	13,116	16.5%	3,993	7.0%	9,123	228.5%
Income tax	(1,330)	-5.0%	81	0.4%	(1,189)	-1.5%	(616)	-1.1%	573	93.0%
Net profit (loss) of continuing operations before minority interest	3,094	11.6%	1,464	7.4%	11,927	15.0%	3,377	5.9%	8,550	253.2%
Minority interest	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	n/a
Group net profit (loss) for period	3,094	11.6%	1,464	7.4%	11,927	15.0%	3,377	5.9%	8,550	253.2%
Base earnings per share					0.344		0.099			
Diluted earnings per share					0.344		0.099			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at September 30, 2019	at December 31, 2018
ASSETS		
Intangible assets	91,219	85,369
Property, Plant and equipment	6,322	2,579
Investments in other companies	165	160
Deferred tax assets	2,840	3,025
Medium/long term borrowing allowed to affiliates companies and other Group companies	92	87
Other non-current assets	689	654
Total non-current assets	101,327	91,874
Inventories	21,866	21,998
Contracts in progress	-	86
Trade receivables	16,358	13,808
Income tax receivables	435	298
Other current assets	2,621	2,183
Other current financial assets	109	104
Cash & cash equivalents	24,933	13,196
Total current assets	66,322	51,673
Total assets	167,649	143,547
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(24,902)	(43,237)
Group shareholders' equity	120,377	102,042
Equity attributable to minority interest	-	-
Total shareholders' equity	120,377	102,042
Medium-/long-term borrowing	12,495	4,312
Employee benefit obligations	2,768	2,465
Deferred tax liabilities	3,214	3,035
Other non-current liabilities	847	782
Total non-current liabilities	19,324	10,594
Trade payables	13,228	14,411
Short-term borrowing	7,319	8,125
Derivative instruments	73	20
Income tax liabilities	158	1,571
Other current liabilities	7,170	6,784
Total current liabilities	27,948	30,911
Total liabilities	47,272	41,505
Total liabilities and equity	167,649	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	-	-	-	-	-	-	-	-	-	11,927	11,927	-	11,927
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	(53)	-	-	-	-	(53)	-	(53)
- Foreign balance sheets conversion difference	-	-	-	3,925	-	-	-	-	-	-	3,925	-	3,925
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	1,943	-	-	1,943	-	1,943
Total Comprehensive result	-	-	-	3,925	-	(53)	-	1,943	-	11,927	17,742	-	17,742
- Performance Share Plan	-	-	-	-	349	-	-	-	244	-	593	-	593
Balance as at September 30, 2019	8,879	1,776	136,400	16,148	(58,284)	(73)	(425)	5,868	(1,839)	11,927	120,377	-	120,377

SUMMARY CASH FLOW STATEMENT

(€'000)		at September 30, 2019	at December 31, 2018	at September 30, 2018
Cash flow generated (used) in operations	A	11,803	10,577	7,227
Cash flow generated (used) in investment activities	B	(2,820)	(3,237)	(2,151)
Cash flow generated (absorbed) by financial assets	C	2,485	(905)	(3,200)
Net foreign exchange difference	D	269	16	(80)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	11,737	6,451	1,796
Opening amount in cash & cash equivalents		13,196	6,745	6,745
Cash & cash equivalents at end of period		24,933	13,196	8,541

NET FINANCIAL POSITION

(€'000)		at September 30, 2019	at December 31, 2018	at September 30, 2018
Cash & cash equivalents	A	(24,933)	(13,196)	(8,541)
Cash equivalent	B=A	(24,933)	(13,196)	(8,541)
Other current financial assets	C	(109)	(104)	(98)
Derivative instruments	D	73	20	4
Short-term borrowing	E	7,319	8,125	7,842
Short-term financial position	F=C+D+E	7,283	8,041	7,748
Short-term net financial position	G=B+F	(17,650)	(5,155)	(793)
Medium/long term borrowing	H	12,495	4,312	2,026
Medium-/long-term net financial position	I=H	12,495	4,312	2,026
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	(5,155)	(843)	1,233
Medium/long term borrowing allowed to affiliates companies and other Group	K	(92)	(87)	(86)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	(5,247)	(930)	1,147

NET WORKING CAPITAL

(€'000)		at September 30, 2019 (b)	at December 31, 2018 (a)	at September 30, 2018	Changes (b-a)
Inventories		21,866	21,998	22,296	(132)
Contracts in progress		0	86	86	(86)
Trade receivables		16,358	13,808	13,967	2,550
Income tax receivables		435	298	218	137
Other current assets		2,621	2,183	1,764	438
Current assets		41,280	38,373	38,331	2,907
Trade payables		(13,228)	(14,411)	(14,732)	1,183
Income tax liabilities		(158)	(1,571)	(319)	1,413
Other current liabilities		(7,170)	(6,784)	(6,522)	(386)
Current liabilities		(20,556)	(22,766)	(21,573)	2,210
Net working capital		20,724	15,607	16,758	5,117