

EUROTECH: REVENUES AS AT 30 JUNE 2020 AT €36.2 MILLION, EBITDA OF €3.2 MILLION (8.9% OF REVENUES) AND NET PROFIT OF €0.6 MILLION

BoD approves the results of the consolidated half-year financial report as at 30 June 2020

Amaro (Italy), 4 September 2020

- Consolidated revenues at €36.2 million (-31.8% compared to 30 June 2019)
- Consolidated gross profit at €19.0 million (52.4% of revenues, -27.9% compared to 30 June 2019)
- Consolidated EBITDA at €3.2 million (8.9% of revenues, - €7.7 million compared to 30 June 2019)
- Consolidated EBIT at €1.1 million (3.1% of revenues, - €7.8 million compared to 30 June 2019)
- Group net profit at €0.6 million (1.6% of revenues, - €8.3 million compared to 30 June 2019)
- Net financial position with net cash at €10.1 million (-€2.2 million compared to 31 December 2019)
- Strategic direction confirmed, since it remains valid in the current macroeconomic scenario

The Board of Directors of Eurotech S.p.A. today examined and approved the results of the first six months of 2020.

Chief Executive Officer Roberto Siagri commented: “In spite of the operating difficulties caused by the pandemic, we have been able to achieve a positive result in the last line of the income statement for this first half, thanks to a solid gross profit and a careful control of operating costs. It is important at this stage to manage the contingent situation cautiously, without however letting this distract us from our medium and long-term growth objectives.”

Operating performance in the period

In terms of the factors that determined the operating performance in the first half, the health emergency relating to Coronavirus (Covid-19) played a key role. It was officially declared a pandemic by the World Health Organisation on 11 March 2020.

Following the spread of the pandemic, the Group companies in all geographical areas have more and more used telematic channels to keep in contact with customers and suppliers, to keep 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 between the end of March and middle of April, especially in Italy, 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.

Sale activities have been those most heavily impacted by the restrictions on international and personal mobility, rendered necessary to counteract the spread of the virus: the inability to visit customers has made it more difficult to manage negotiations, especially with new customers. In addition, the impossibility for the decision-making teams of potential customers to meet to discuss the strategic investment choices has slowed said decision-making processes and, at times, put them on stand-by.

Another element that has hindered the creation and development of the pipeline of commercial opportunities has been the cancellation of the most important industry trade fairs from the end of February. Therefore, we have implemented marketing initiatives to make up for the lack of exhibitions and events, aiming to gain a greater on-line presence.

A glance at the figures for the half shows that the first impact on the income statement stems from the forced shutdown of non-essential activities, the so-called "lockdown", first in Italy then in Europe and the United States. On top of its direct impact on Eurotech's activities, the lockdown has triggered a downturn in the activities of many customers, affecting the volume of new orders generated which, especially for projects in the process of being launched or those just commenced, was considerably lower than the pre-pandemic expectations. This has also prevented us from offsetting the lower turnover deriving from an American customer, that we knew would have generated much less turnover in 2020 compared to that realised in 2019, in which it had recorded a spike connected to its tender-based business model. In the scenario at the end of 2019, this lower turnover would have been largely offset by new orders with other customers for whom we had already had a design-win and with other orders from existing customers. The explosion of the pandemic, however, radically changed the situation. The second smaller but equally significant impact materialised in the form of the partial postponement of some deliveries planned for the end of the half, stemming from the tactical decision by some client companies who attempted to delay pending deliveries as long as possible while waiting for greater visibility on the contingent situation.

This prudence and 'wait-and-see' approach were also observed on new orders collection from long-standing customers for projects already in progress: in a context in which visibility is low, customers have been extremely cautious in issuing new orders beyond the absolute minimum for the short-term functioning of their activities.

As regards the development of business with new customers or for new projects with long-standing customers, the widespread climate of uncertainty over the duration of the pandemic, fears over a new flare-up and the possible medium-term impacts of the health crisis on the economic fabric and on companies have not facilitated investment decisions relating to the negotiations in progress. The times for converting opportunities to orders grew longer and, consequently, sales in the second quarter were also impacted.

The global scenario therefore had a significant impact on performance in the first half, but the impacts on the various geographic areas differed. Looking at the distribution of revenues by geographic location of Group activities, the strongest impact was recorded in North America, which suffered in particular in the second quarter due to the persistence of the health emergency, with increased number of contagions and the imposition or the reintroduction of lockdown and restrictions on mass gatherings; in spite of this, America continued to generate the highest contribution to the total figure with 42.2% (first half of 2019: 52.2%). Japan re-gained the second place with 34.0% (first half of 2019: 22.9%), based on the fact that it saw stable revenues in the two periods being compared. Lastly, Europe represented the remaining 23.8% (first half of 2019: 24.6%).

We have invested heavily in innovation over the last few years, which has enabled us to establish a highly competitive offering in the field of industrial IoT and in the emerging sector of Edge Computing. The potential of these technologies remains largely untapped and, for this reason, even during the peak of the pandemic in Italy and in Europe, our work has continued to follow the strategic direction mapped out, with the objective of building an ecosystem around our technologies. In this regard, two significant objectives were achieved in the first half of this year: on the one hand, the entry to the IBM Edge Ecosystem, the partner ecosystem created by IBM to help industrial firms and telecommunications companies to accelerate the transition to Edge Computing in the 5G era and Artificial Intelligence; on the other, the AWS IoT Core certification for Everyware Software Framework (ESF), with which ESF becomes an enabling framework for all producers of devices that want to connect them to Amazon's AWS infrastructure for data collection and analysis.

Economic performance of the Eurotech Group

Group revenues in the first six months of 2020 totalled €36.19 million, down by 31.8% compared to the same period in 2019 when turnover was €53.04 million. At constant exchange rates, the change would have been 33.3%.

Gross profit in the period amounted to €18.98 million, accounting for 52.4% of turnover, compared to 49.7% in the first six months of 2019. The improvement in this parameter is a function of the product mix sold and the relative weighting of the three families of products: Embedded Computers, HPEC and IoT. The increase in gross profit was markedly positive, placing it above the reference threshold of 50% defined by the management. Gross profit is always monitored in order to achieve the desired profitability levels, and is an important indicator because it measures the alignment of the product mix sold with the strategy, and because it highlights customers' recognition of the innovation of our products.

In the reference six months, operating costs gross of the applied adjustments amounted to €17.51 million, with an increase of 2.5% compared to the €17.09 million in the first half of 2019. At constant exchange rates, the increase would only have been 0.7%. By virtue of the fabless 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 48.4% compared to 32.2% in the first half of 2019.

EBITDA for the first six months of 2020 was €3.21 million (8.9% of revenues) compared with €10.87 million in the first half of 2019 (20.5% of revenues), reflecting the trend in both gross profit and operating costs and other revenues.

EBIT in the first six months of 2020 came to €1.11 million (3.1% of revenues), compared to €8.94 million in the first six months of 2019 (16.9% of revenues).

Pre-tax profit for the first six months under review was of €1.30 million, versus €8.69 million for the first six months of 2019. The decrease in the pre-tax result reflects the effect of the reduction in turnover.

Estimated taxes, calculated based on the rates established for the year by governing regulations and - limited to and in only the UK subsidiary - considering the tax benefit that would result from the recognition of deferred tax assets deriving from tax losses generated in the period, amounted to €0.72 million. No deferred tax assets have been recognised on the other losses for the period generated by the Italian and French companies.

The net result for the Group in the period under review was €0.58 million (€8.83 million in the first six months of 2019), with a 1.6% impact on revenues. The performance essentially reflects the trend in the pre-tax result.

Equity and financial statement of the Eurotech Group

As at 30 June 2020, the Group had a consolidated net financial position with net cash of €10.06 million, compared to the amount, also net cash, of €12.25 million as at 31 December 2019.

Group cash and cash equivalents were €30.05 million as at 30 June 2020, while they were €30.69 million at the end of 2019. Again as at 30 June 2020, short-term loans payable came to €7.49 million (€7.00 million at the end of 2019), while medium/long-term loans payable totalled €12.63 million (€11.59 million at the end of 2019).

Net working capital as at 30 June 2020 came to €16.78 million, an increase of €1.89 million compared to 31 December 2019. The trend in the first half is primarily due to the increase in the value of trade receivables and the reduction in current liabilities due to the payment of suppliers and taxes. Net working capital as a ratio of turnover in the trailing twelve months was 19.7%, therefore in line with the management target of 20%.

Group shareholders' equity was €125.38 million (€124.66 million as at 31 December 2019).

Business outlook

Eurotech's management continues to focus significant attention on the evolution of the global economic scenario: according to the World Economic Outlook (WEO) update published in June by the International

Monetary Fund (IMF), global growth is forecast at -4.9% in 2020, i.e. 1.9% below the previous forecasts disseminated in April. Therefore, the pandemic has had a more adverse impact than predicted in the first half of 2020, and the recovery is proving to be much slower than initially envisaged.

This prolonged effect of the pandemic and the inertia of the recovery are also in evidence in Eurotech's target markets, both as regards the historic business of Embedded Computing and the Industrial IoT market and the emerging Edge Computing market. Therefore, the third quarter of 2020 will still be impacted by the effects already witnessed in the first half of the year.

The persistence of the pandemic in the United States or a fresh flare-up in Europe and Japan could throw up new operating challenges and modify companies' investment decisions. At the current state of play, the order intake in September and in the first half of October will be critical in shaping the performance in the second half and the final quarter in particular. The trend in customer behaviour is highly fluid, both in relation to existing and potential customers, and predicting the evolution of the scenario even in the short-term is difficult. The situation as regards the current pandemic will probably continue to cause a tactical wait-and-see attitude for a few months on the part of companies with respect to investments, with lengthier and difficult to forecast times for converting opportunities to orders.

In this context of declining revenues and uncertainty regarding the timing of market recoveries, it is likewise important to emphasise that Eurotech's capital strength ensures strong financial independence in supporting the operating needs and development plans.

In addition, although it is not possible to predict the duration of the crisis situation brought about by the pandemic and therefore accurately evaluate its impact on future operating results, the current sensitivity analyses carried out, also by assessing various scenarios with a forecast drop in revenues and, in some cases, a revision of operating costs, did not reveal critical issues in terms of impairment tests and the measurement of financial statement items.

Looking forward beyond the short-term, Eurotech will continue, in the strategic direction mapped out, to act as a partner for the innovation of its customers, supporting them in their needs to innovate products, processes and to transform their business models, already triggered by the Fourth Industrial Revolution and which will be likewise accentuated by the pandemic, as digital transformation is one of the strongest weapons available to businesses to combat the pandemic's economic and organisational effects.

Eurotech is recognised as one of the main technology leaders in the industrial IoT market and in the emerging sector of Edge Computing, including High Performance Edge Computing (HPEC): for this reason, Eurotech puts itself forward as a preferred partner in enabling the digital transformation of businesses.

It is reported that in compliance with the provisions of CONSOB (National Commission for Companies and the Stock Exchange), the Consolidated Financial Report as at 30 June 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 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 components and software platforms for IoT, Edge Gateways to enable the monitoring of assets and High-Performance Edge Computers (HPECs) for applications including Artificial Intelligence (AI). In order to offer increasingly complete solutions, Eurotech has partnered leading companies in their field of action, in this way creating a global ecosystem that allows to create “best in class” solutions for the Industrial Internet of Things. For more information about Eurotech: www.eurotech.com.

Corporate contacts:**Investor Relations**

Andrea Barbaro

Tel. +39 0433 485411

e-mail: andrea.barbaro@eurotech.com

Communications Office

Giuliana Vidoni

Tel. +39 0433 485411

e-mail: giuliana.vidoni@eurotech.com

ANNEXES - FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

(€ '000)	1H 2020 (b)	%	1H 2019 (a)	%	change (b-a)	
					amount	%
Sales revenue	36,188	100.0%	53,038	100.0%	(16,850)	-31.8%
Cost of material	(17,210)	-47.6%	(26,698)	-50.3%	(9,488)	-35.5%
Gross profit	18,978	52.4%	26,340	49.7%	(7,362)	-27.9%
Services costs	(6,239)	-17.2%	(6,427)	-12.1%	(188)	-2.9%
Lease & hire costs	(215)	-0.6%	(161)	-0.3%	54	33.5%
Payroll costs	(10,684)	-29.5%	(10,075)	-19.0%	609	6.0%
Other provisions and costs	(376)	-1.0%	(422)	-0.8%	(46)	-10.9%
Other revenues	1,743	4.8%	1,619	3.1%	124	7.7%
EBITDA	3,207	8.9%	10,874	20.5%	(7,667)	-70.5%
Depreciation & Amortization	(2,036)	-5.6%	(1,920)	-3.6%	116	6.0%
EBIT	1,111	3.1%	8,944	16.9%	(7,833)	-87.6%
Finance expense	(531)	-1.5%	(506)	-1.0%	25	4.9%
Finance income	716	2.0%	254	0.5%	462	181.9%
Profit before tax	1,296	3.6%	8,692	16.4%	(7,396)	-85.1%
Income tax	(719)	-2.0%	141	0.3%	860	n.s.
Net profit (loss) of continuing operations before minority interest	577	1.6%	8,833	16.7%	(8,256)	-93.5%
Minority interest	0	0.0%	0	0.0%	0	n/a
Group net profit (loss) for period	577	1.6%	8,833	16.7%	(8,256)	-93.5%
Base earnings per share	0.016		0.255			
Diluted earnings per share	0.016		0.255			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at June 30, 2020	at December 31, 2019
ASSETS		
Intangible assets	90,073	88,905
Property, Plant and equipment	6,689	6,565
Investments in other companies	162	162
Deferred tax assets	7,931	7,981
affiliates companies and other Group companies	89	89
Other non-current assets	691	665
Total non-current assets	105,635	104,367
Inventories	20,609	21,256
Trade receivables	12,451	11,707
Income tax receivables	544	269
Other current assets	2,313	2,115
Other current financial assets	110	108
Cash & cash equivalents	30,047	30,687
Total current assets	66,074	66,142
Total assets	171,709	170,509
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(19,896)	(20,623)
Group shareholders' equity	125,383	124,656
Equity attributable to minority interest	-	-
Total shareholders' equity	125,383	124,656
Medium-/long-term borrowing	12,632	11,590
Employee benefit obligations	2,752	2,604
Deferred tax liabilities	3,314	3,097
Other non-current liabilities	939	1,060
Total non-current liabilities	19,637	18,351
Trade payables	10,680	11,562
Short-term borrowing	7,490	7,001
Derivative instruments	65	44
Income tax liabilities	839	1,182
Other current liabilities	7,615	7,713
Total current liabilities	26,689	27,502
Total liabilities	46,326	45,853
Total liabilities and equity	171,709	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 June 30, 2020	-	-	-	-	-	-	-	-	-	577	577	-	577
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	(21)	-	-	-	-	(21)	-	(21)
- Foreign balance sheets conversion difference	-	-	-	184	-	-	-	-	-	-	184	-	184
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	(247)	-	-	(247)	-	(247)
Total Comprehensive result	-	-	-	184	-	(21)	-	(247)	-	577	493	-	493
- Performance Share Plan	-	-	-	-	22	-	-	-	212	-	234	-	234
Balance as at June 30, 2020	8,879	1,776	136,400	14,408	(39,643)	(65)	(531)	4,403	(821)	577	125,383	-	125,383

SUMMARY CASH FLOW STATEMENT

(€'000)		at June 30, 2020	at December 31, 2019	at June 30, 2019
Cash flow generated (used) in operations	A	576	20,909	7,680
Cash flow generated (used) in investment activities	B	(2,346)	(4,307)	(2,232)
Cash flow generated (absorbed) by financial assets	C	1,542	844	1,773
Net foreign exchange difference	D	(412)	45	(3)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(640)	17,491	7,218
Opening amount in cash & cash equivalents		30,687	13,196	13,196
Cash & cash equivalents at end of period		30,047	30,687	20,414

NET FINANCIAL POSITION

(€'000)		at June 30, 2020	at December 31, 2019	at June 30, 2019
Cash & cash equivalents	A	(30,047)	(30,687)	(20,414)
Cash equivalent	B=A	(30,047)	(30,687)	(20,414)
Other current financial assets	C	(110)	(108)	(107)
Derivative instruments	D	65	44	71
Short-term borrowing	E	7,490	7,001	10,535
Short-term financial position	F=C+D+E	7,445	6,937	10,499
Short-term net financial position	G=B+F	(22,602)	(23,750)	(9,915)
Medium/long term borrowing	H	12,632	11,590	8,671
Medium-/long-term net financial position	I=H	12,632	11,590	8,671
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	(9,970)	(12,160)	(1,244)
Medium/long term borrowing allowed to affiliates companies and other Group	K	(89)	(89)	(88)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	(10,059)	(12,249)	(1,332)

NET WORKING CAPITAL

(€'000)	at June 30, 2020 (b)	at December 31, 2019 (a)	at June 30, 2019	Changes (b-a)
Inventories	20,609	21,256	22,231	(647)
Trade receivables	12,451	11,707	16,556	744
Income tax receivables	544	269	162	275
Other current assets	2,313	2,115	2,790	198
Current assets	35,917	35,347	41,739	570
Trade payables	(10,680)	(11,562)	(15,960)	882
Income tax liabilities	(839)	(1,182)	(590)	343
Other current liabilities	(7,615)	(7,713)	(6,124)	98
Current liabilities	(19,134)	(20,457)	(22,674)	1,323
Net working capital	16,783	14,890	19,065	1,893