

EUROTECH: REVENUES AS AT 30 SEPTEMBER 2020 AT €52.6 MILLION, EBITDA OF €4.9 MILLION (9.3% OF REVENUES) AND NET PROFIT OF €0.7 MILLION

BoD approves the results of the consolidated interim management report as at 30 September 2020

Amaro (Italy), 13 November 2020

- Consolidated revenues at €52.6 million (-34.0% compared to 30 Sept. 2019)
- Consolidated gross profit at €27.9 million (53.0% of revenues, -30.4% compared to 30 Sept. 2019)
- Consolidated EBITDA at €4.9 million (9.3% of revenues, - €11.3 million compared to 30 Sept. 2019)
- Consolidated EBIT at €1.8 million (3.4% of revenues, - €11.4 million compared to 30 Sept. 2019)
- Group net profit at €0.7 million (1.3% of revenues, - €11.3 million compared to 30 Sept. 2019)
- Net financial position with net cash at €6.4 million (-€5.9 million compared to 31 December 2019)

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

Chief Executive Officer Roberto Siagri commented: “We continue to manage the contingent situation with caution, while maintaining a high level of attention to the achievement of medium and long-term strategic objectives. Thanks to a solid first margin and a careful control of operating costs, we have achieved a positive net result even in a difficult scenario for business development.”

Operating performance in the period

The health emergency relating to Covid-19, that was officially declared a pandemic by the World Health Organisation on 11 March 2020, remains the first cause of strong uncertainty for the world economy.

After the initial serious effects recorded between March and May due to the containment measures, the so-called “lockdown”, in September restrictive measures were tightened once again. Ongoing concern with regard to the evolution of the pandemic and the consequent decisions of governments could have a long-term impact on the global economy.

The global economic crisis relating to the spread of COVID-19 and above all the uncertainty that it has caused have certainly affected the activities of the Eurotech Group. The pandemic containment measures adopted by the various governments of the countries in which the Group operates have led to a significant reduction in commercial activities, while other activities to support ongoing operations and customer

service have continued, albeit through the wide-spread use of smart working. International travel continues to be heavily restricted and in some cases banned, and there has also been no possibility of participating in trade fairs and promotional events that have historically represented a precious source of new business opportunities.

The continued markedly negative trend in the international economic and social situation, and the ongoing restrictions imposed in the various areas in which the Group operates have significantly reduced visibility in the medium-long term, making it difficult to fully and accurately identify and assess the impacts of COVID-19.

As a result of this situation, the Eurotech Group promptly took action to make use of all forms of financial support envisaged by current regulations and permitted as regards its size and repayment capacity.

Considering the downward curve of the interest rate, it was deemed appropriate to provide the Group with approximately €6 million in additional financial resources, in excess of normal needs. As yet, the Group has not used any of the short-term credit lines, having adequate financial resources and a good net financial position.

Looking at the figures for the nine months, the first impact on the income statement came 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 pandemic, however, radically changed the situation: in particular, the abrupt slowdown in investment in IoT in the industrial sector, as witnessed also by the research of IDC and more recently of IBM, has deprived us of a component of new revenues on which we were counting on. The second smaller but equally significant impact materialised in the form of the partial postponement of some deliveries planned for the period, 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 third quarter were also impacted.

The global scenario therefore had a significant impact on performance of the period, 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, but in spite of this the area continued to generate the highest contribution to the total figure with 37.8% (nine months of 2019: 49.4%). Japan gained the second place with 33.1% (nine months of 2019: 23.4%), based on the fact that it saw revenues decreasing only 6.9% in the two periods being compared. Lastly, Europe represented the remaining 29.1% (nine months of 2019: 27.1%).

Over the last few years we have invested heavily in innovation, 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 nine months 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 nine months of 2020 totalled €52.57 million, down by 34.0% (-34.3% at constant exchange rates) compared to the same period in 2019 when turnover was €79.70 million.

Gross profit in the period amounted to €27.89 million, accounting for 53.0% of turnover, compared to 50.3% in the first nine 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 nine months, operating costs gross of the applied adjustments amounted to €25.65 million, with a reduction of 0.7% compared to the €25.84 million in the first half of 2019. At constant exchange rates, the decrease would have been 1.4%. Comparing operating costs for the third quarter with those recorded in the first and second quarters of the year, there was a decrease of 6.4% and 7.7%

respectively. Personnel costs amounted to €15.50 million, in line with the €15.35 million recorded in 9M19. As a result of the reduction in turnover, the impact on revenues was 29.5%, compared to 19.3% in 9M19. The workforce at 30 September 2020 was 317 (318 at 31 December 2019 and 315 at 30 September 2019), with an average for the period of 318 employees (310 in 9M19).

EBITDA for the first nine months of 2020 was €4.87 million (9.3% of revenues) compared with €16.19 million in 2019 (20.3% of revenues), reflecting the trend in both gross profit and operating costs and other revenues.

EBIT in the first nine months of 2020 came to €1.80 million (3.4% of revenues), compared to €13.25 million in the first nine months of 2019 (16.5% of revenues).

Pre-tax profit for the first nine months under review was of €1.63 million, versus €13.12 million for the first nine months of 2019. The trend in the pre-tax result reflects 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 €0.96 million. In 2019, the incidence of taxes on the Income Statement was limited to the effect of the recognition of part of the deferred tax assets deriving from unrecognised tax losses in previous years, which almost fully covered the taxes for the period.

The net result for the Group in the period under review was €0.67 million (€11.93 million in the first six months of 2019), with a 1.3% impact on revenues. The performance essentially reflects the trend in the pre-tax result.

With reference to the third quarter, it should be noted that there is a slight profit for the period allowing the 12th quarter in profit in a row. In particular, the level of turnover was €16.4 million (€26.7 million in the third quarter of 2019); the value of turnover for the quarter corresponds to 31.2% of turnover for the nine months, a value slightly lower than last year (33.5%). In the quarter considered, the first margin (54.4%) increased both compared to the previous quarters of the year and to the third quarter of 2019 when it was 51.4%. EBITDA in the third quarter of 2020 was positive at € 1.7 million with a margin of 10.1%, while in the third quarter of 2019 it was positive at € 5.3 million with a margin of 19.9%. The reduction in turnover in the quarter compared to the same period in 2019, combined with operating costs substantially stable, produced a higher incidence of these operating costs on turnover.

The operating result (EBIT) for the third quarter 2020 is influenced by the margins described and amounts to € 0.7 million, i.e. 4.2% of revenues, compared to a positive € 4.3 million (16.2% of revenues) in the same period 2019. These trends contributed to determining the interim results for the first nine months of the year commented on above.

Equity and financial statement of the Eurotech Group

As at 30 September 2020, the Group had a consolidated net financial position with net cash of €6.36 million, compared to the amount, also net cash, of €12.25 million as at 31 December 2019. The change is mainly due to the increase of net working capital which absorbed liquidity.

Despite the use of liquidity in the nine months for current operations and to support working capital, its value, equal to €29.89 million, remains similar to that at the end of 2019 as the cash flows deriving from financing activities amounted to approximately €6 million.

Net working capital as at 30 September 2020 came to €19.59 million, an increase of €4.70 million compared to 31 December 2019. This is due to the different pattern in payment and invoicing/collection flows, relating to the fact that a significant portion of the turnover for the quarter was generated in September. Net working capital as a ratio of turnover in the trailing twelve months was 26.2%, due to the reduction in turnover. The target for year end is to reduce the total value of the working capital.

Group shareholders' equity was €122.30 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 October by the International Monetary Fund (IMF), global growth is forecast at -4.4% in 2020, but what is worrying is that the uncertainty about the projection is unusually high: the risk of worse-than-expected growth results remains considerable. The pandemic has therefore had a profound impact on the economy and society, and the recovery is proving to be long and difficult.

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 fourth quarter of 2020 will still be impacted by the same effects already witnessed in the previous quarters.

The persistence of the pandemic in the United States and a fresh flare-up in Europe are throwing up new operating challenges and affecting companies' investment decisions. At the current state of play, 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.

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 Interim Management Report as at 30 September 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.

ABOUT EUROTECH

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

	3rd Qtr 2020	%	3rd Qtr 2019	%	9M 2020 (b)	%	9M 2019 (a)	%	change (b-a)	
(€ '000)									amount	%
Sales revenue	16,384	100%	26,660	100%	52,572	100.0%	79,698	100.0%	(27,126)	-34.0%
Cost of material	(7,473)	-45.6%	(12,950)	-48.6%	(24,683)	-47.0%	(39,648)	-49.7%	(14,965)	-37.7%
Gross profit	8,911	54.4%	13,710	51.4%	27,889	53.0%	40,050	50.3%	(12,161)	-30.4%
Services costs	(2,997)	-18.3%	(3,255)	-12.2%	(9,236)	-17.6%	(9,682)	-12.1%	(446)	-4.6%
Lease & hire costs	(92)	-0.6%	(89)	-0.3%	(307)	-0.6%	(250)	-0.3%	57	22.8%
Payroll costs	(4,821)	-29.4%	(5,276)	-19.8%	(15,505)	-29.5%	(15,351)	-19.3%	154	1.0%
Other provisions and costs	(231)	-1.4%	(132)	-0.5%	(607)	-1.2%	(554)	-0.7%	53	9.6%
Other revenues	892	5.4%	360	1.4%	2,635	5.0%	1,979	2.5%	656	33.1%
EBITDA	1,662	10.1%	5,318	19.9%	4,869	9.3%	16,192	20.3%	(11,323)	-69.9%
Depreciation & Amortization	(971)	-5.9%	(1,012)	-3.8%	(3,007)	-5.7%	(2,932)	-3.7%	75	2.6%
Asset impairment	0	0.0%	0	0.0%	(60)	-0.1%	(10)	0.0%	50	500.0%
EBIT	691	4.2%	4,306	16.2%	1,802	3.4%	13,250	16.6%	(11,448)	-86.4%
Finance expense	(319)	-1.9%	(374)	-1.4%	(850)	-1.6%	(880)	-1.1%	(30)	-3.4%
Finance income	(38)	-0.2%	492	1.8%	678	1.3%	746	0.9%	(68)	-9.1%
Profit before tax	334	2.0%	4,424	16.6%	1,630	3.1%	13,116	16.5%	(11,486)	-87.6%
Income tax	(239)	-1.5%	(1,330)	-5.0%	(958)	-1.8%	(1,189)	-1.5%	(231)	-19.4%
Net profit (loss) of continuing operations before minority interest	95	0.6%	3,094	11.6%	672	1.3%	11,927	15.0%	(11,255)	-94.4%
Minority interest	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	n/a
Group net profit (loss) for period	95	0.6%	1,464	5.5%	672	1.3%	11,927	15.0%	(11,255)	-94.4%
Base earnings per share					0.086		0.344			
Diluted earnings per share					0.086		0.344			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at September 30, 2020	at December 31, 2019
ASSETS		
Intangible assets	88,135	88,905
Property, Plant and equipment	6,186	6,565
Investments in other companies	557	162
Deferred tax assets	7,841	7,981
affiliates companies and other Group companies	60	89
Other non-current assets	674	665
Total non-current assets	103,453	104,367
Inventories	19,442	21,256
Trade receivables	14,819	11,707
Income tax receivables	612	269
Other current assets	2,319	2,115
Other current financial assets	93	108
Cash & cash equivalents	29,894	30,687
Total current assets	67,179	66,142
Total assets	170,632	170,509
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(22,976)	(20,623)
Group shareholders' equity	122,303	124,656
Equity attributable to minority interest	-	-
Total shareholders' equity	122,303	124,656
Medium-/long-term borrowing	16,366	11,590
Employee benefit obligations	2,762	2,604
Deferred tax liabilities	3,243	3,097
Other non-current liabilities	1,032	1,060
Total non-current liabilities	23,403	18,351
Trade payables	9,616	11,562
Short-term borrowing	7,246	7,001
Derivative instruments	78	44
Income tax liabilities	427	1,182
Other current liabilities	7,559	7,713
Total current liabilities	24,926	27,502
Total liabilities	48,329	45,853
Total liabilities and equity	170,632	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 September 30, 2020	-	-	-	-	-	-	-	-	-	672	672	-	672
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	(34)	-	-	-	-	(34)	-	(34)
- Foreign balance sheets conversion difference	-	-	-	(1,435)	-	-	-	-	-	-	(1,435)	-	(1,435)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	(1,908)	-	-	(1,908)	-	(1,908)
Total Comprehensive result	-	-	-	(1,435)	-	(34)	-	(1,908)	-	672	(2,705)	-	(2,705)
- Performance Share Plan	-	-	-	-	140	-	-	-	212	-	352	-	352
Balance as at September 30, 2020	8,879	1,776	136,400	12,789	(39,525)	(78)	(531)	2,742	(821)	672	122,303	-	122,303

SUMMARY CASH FLOW STATEMENT

(€'000)		at September 30, 2020	at December 31, 2019	at September 30, 2019
Cash flow generated (used) in operations	A	(1,335)	20,909	11,803
Cash flow generated (used) in investment activities	B	(3,712)	(4,307)	(2,820)
Cash flow generated (absorbed) by financial assets	C	5,049	844	2,485
Net foreign exchange difference	D	(795)	45	269
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(793)	17,491	11,737
Opening amount in cash & cash equivalents		30,687	13,196	13,196
Cash & cash equivalents at end of period		29,894	30,687	24,933

NET FINANCIAL POSITION

(€'000)		at September 30, 2020	at December 31, 2019	at September 30, 2019
Cash & cash equivalents	A	(29,894)	(30,687)	(24,933)
Cash equivalent	B=A	(29,894)	(30,687)	(24,933)
Other current financial assets	C	(93)	(108)	(109)
Derivative instruments	D	78	44	73
Short-term borrowing	E	7,246	7,001	7,319
Short-term financial position	F=C+D+E	7,231	6,937	7,283
Short-term net financial position	G=B+F	(22,663)	(23,750)	(17,650)
Medium/long term borrowing	H	16,366	11,590	12,495
Medium-/long-term net financial position	I=H	16,366	11,590	12,495
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	(6,297)	(12,160)	(5,155)
Medium/long term borrowing allowed to affiliates companies and other Group	K	(60)	(89)	(92)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	(6,357)	(12,249)	(5,247)

NET WORKING CAPITAL

	at September 30, 2020	at December 31, 2019	at September 30, 2019	Changes
Inventories	19,442	21,256	21,866	(1,814)
Trade receivables	14,819	11,707	16,358	3,112
Income tax receivables	612	269	435	343
Other current assets	2,319	2,115	2,621	204
Current assets	37,192	35,347	41,280	1,845
Trade payables	(9,616)	(11,562)	(13,228)	1,946
Income tax liabilities	(427)	(1,182)	(158)	755
Other current liabilities	(7,559)	(7,713)	(7,170)	154
Current liabilities	(17,602)	(20,457)	(20,556)	2,855
Net working capital	19,590	14,890	20,724	4,700