

EUROTECH: REVENUES AS AT 31 DECEMBER 2020 AT €69.3 MILLION (-32.1%), EBITDA €6.6 MILLION (9.6% OF REVENUES) AND NET PROFIT €0.13 MILLION

Draft of the 2020 separate and consolidated financial statements approved by Board of Directors

Amaro (UD), 15 March 2021

- Consolidated revenues at €69.3 million (-32.1% compared to 31 December 2019, -31.6% at constant exchange rates)
- Consolidated gross profit at €36.5 million (52.7% of revenues, -29.7% compared to 31 December 2019)
- Consolidated EBITDA at €6.6 million (9.6% of revenues, - €13.9 million compared to 31 December 2019)
- Consolidated EBIT at €2.4 million (3.5% of revenues, - €14.2 million compared to 31 December 2019)
- Group net profit at €0.13 million (0.2% of revenues, - €19.1 million compared to 31 December 2019)
- Net financial position with net cash at €8.6 million (€12.3 million at 31 December 2019)
- Eurotech S.p.A.: net loss of €3.00 million (net profit of €8.4 million at 31 December 2019)

Today, the Board of Directors of Eurotech S.p.A. reviewed and approved the Draft Separate and Consolidated Financial Statements as at 31 December 2020, which will be submitted to the Ordinary Shareholders' Meeting.

The Chief Executive Officer, Roberto Siagri, commented: "2020 was a difficult year which temporarily halted our growth but in which we demonstrated to be flexible, closing in any case the year without losses. The pandemic has not changed our strategy, despite the inevitable repercussions on the balance sheet figures of the global economic crisis. I believe that the pandemic will only accelerate the process of digitization and renovation of enterprises. With the return to a new normal, we all expect an acceleration of investments in remote control and remote operations, and consequently, we expect to be in a position to fully express the potential accumulated in the IoT and HPEC domains."

Operating performance in the period

At the start of last year almost nobody could have imagined that the year 2020 could have had such a forceful effect on the various aspects of people's lives, on social dynamics, on the global economy and on the way

companies do business. In our case, after a record year such as 2019, when Eurotech had exceeded the €100 million turnover threshold, 2020 was distinctly marked by the impacts of the pandemic on the real economy and in particular on the investments of companies in new projects and new products. Our more marked presence on the industrial and transport markets, and a more limited one in the medical market, has resulted in a greater exposure to the economic effects of the health crisis. The Covid-19 pandemic determined for us a marked contraction in the order intake compared to our forecasts at the end of 2019, as it effectively froze all investment decisions of customers with whom we already had design-wins. In some cases the pandemic forced companies to make rapid tactical changes, with the immediate shifting of budgets towards expenditure items deemed to be more defensive.

Existing customers we were already supplying also adopted more prudent policies in terms of order release, reducing the coverage period of the same to the essential minimum and so reducing visibility in the medium-long term.

In 2020 all geographical areas suffered a reduction in turnover, for reasons directly or indirectly related to the pandemic. With reference to the breakdown of turnover by location of operating activities, net of intercompany transactions, sales decreased by 46.9% in the American area compared to the same period the year before, in Europe the reduction was 27.5%, while in Japan the decrease was only 10.3%.

For the American area, already at the end of 2019 the order book and turnover distribution for the 2020 quarters appeared to be different than in the previous year. The delay in orders from new customers has not allowed us to offset the reduction in turnover in particular from one customer which, with a tender-based business model subject to fluctuations, had already recorded a temporary reduction of business for 2020. The uncertainty of the economic landscape generated by the health crisis and – In the specific case of the USA – also in part by the presidential elections, almost completely froze the conversion into orders of the existing design-wins, with an order intake much below the pre-pandemic potential.

The European area was strongly affected by the various lockdowns throughout the year 2020. Even though the area is very receptive and interested in high performance embedded computing (HPEC) systems for the new Deep Learning and Artificial Intelligence sectors, the uncertainty deriving from the pandemic has slowed down the start of some projects we were working on at the start of 2020 in the hope of a rapid activation which did not, however, materialise. Interest remains high for our offer of IoT products: many of our customers are well advanced with testing our IoT technologies and products, but volumes still remain subdued pending the start of mass production that the pandemic has delayed.

The Japanese area was the one that proved most resilient in terms of turnover and the one that most benefited from the work carried out in the previous year, when we had managed to sell higher profitability products. The customer base still consists of significant local companies that find Advanet a highly specialised development centre of high performance computing subsystems.

The difficulties encountered in 2020 have not allowed the consolidated turnover in the IoT area to grow, but it did not suffer the marked drop recorded in the embedded computers business line.

Several analysts continue to place Eurotech among the market leaders thanks to our portfolio of industrial IoT technologies. The international positioning of the Eurotech brand remains strategic, along with the creation and continued implementation of a partner ecosystem to make the offer of technology more widely known and multiply indirect business development channels.

Even at the peak of the pandemic we continued to operate along the planned strategic path, with a particular focus on the creation of the ecosystem around our technologies. During 2020 three important targets were reached: 1) entry in the IBM Edge Ecosystem, the partner ecosystem created by IBM to help industrial and telecommunication companies to accelerate the transition towards Edge Computing in the 5G and Artificial Intelligence era. The partnership with Nvidia as Preferred OEM Partner should also be read in this light; 2) the AWS IoT Core certification for Everyware Software Framework (ESF), with which ESF becomes an enabling framework for all manufacturers of devices wishing to connect them to the Amazon AWS infrastructure for the collection and analysis of data; 3) entry in the Arm Cassini Project, which has the objective of accelerating the development of Edge computing platforms optimised and based on Arm processors, for which Eurotech's IoT Edge components are the perfect match, also considering the robustness in terms of cybersecurity that characterizes Eurotech components.

In spite of the unfavourable scenario, we managed also in 2020 to close the year with a profit, a result that demonstrates that the fixed costs structure is lean and that Eurotech has a low break-even point with great potential operating leverage.

Operating performance of the Eurotech Group

Group revenues in the twelve months of 2020 totalled €69.26 million, down by 32.1% compared to the same period in 2019 when turnover was €101.97 million. At constant exchange rates, the decrease in turnover would be 31.6%.

The gross profit margin for the year amounted to €36.52 million, or 52.7% of turnover, up on the figure of 50.9% last year. Gross profit is an important index to monitor in order to reach the desired profitability and to activate the operating leverage in consideration of the levels of costs. Furthermore, gross profit highlights how the mix of products sold is aligned with the company's strategy and demonstrates how the innovation of our products is recognised by our customers.

The operating costs before adjustments for internal increases amounted to €33.75 million (48.7% as a percentage of revenues), with a decrease of 3.6% compared to the €35.00 million (34.3% as a percentage of revenues) in 2019. At constant exchange rates, the decrease would have been 3.1%. The net decrease of operating costs is related in part to the lower turnover and in part to the prudence in the management of costs. The greater impact of operating costs on turnover highlights how the Group cost structure is largely fixed, and with an increase of revenues a significant operating leverage can be shown.

EBITDA amounted to €6.63 million, compared with €20.53 million in 2019. EBITDA in 2020 as a percentage of revenues was 9.6%, compared with 20.1% in 2019.

EBIT was also significantly impacted by the drop in turnover and amounted to €2.44 million compared to €16.61 million in 2019, after having included amortisation/depreciation and write-downs of the property, plant and equipment and intangible assets of €4.19 million compared to amortisation/depreciation and write-downs of €3.92 million in 2019. EBIT as a percentage of revenues amounted to 3.5% in 2020 compared to 16.3% in 2019. The increase in amortisation/depreciation is mainly due to the inclusion under this item of some development projects and part of our new ERP system.

In 2020, including the exchange rate effects, financial management recorded a loss of €0.67 million, compared with a loss of €0.49 million in 2019.

The pre-tax profit for 2020 was €1.83 million compared with €16.12 million in 2019. This reduction mainly reflects the EBIT trend.

The Group net profit was €0.13 million, compared to €19.24 million in 2019. This performance not only reflects the pre-tax profit, but is due to the influence of the tax effect on the individual Group companies, and to the non-recognition during the year of deferred tax assets on tax losses generated in the period.

Statement of financial position of the Eurotech Group

The Group's financial position at 31 December 2020 shows a positive net cash of €8.55 million, compared with €12.25 million at 31 December 2019. These values include the effects of the IFRS 16 "Leases" standard, which at 31 December 2020 amounted to €3.00 million, compared to €4.00 million at 31 December 2019.

Group cash and cash equivalents were €41.22 million at 31 December 2020, while they were €30.69 million at the end of 2019.

Net working capital at 31 December 2020 came to €15.83 million, an increase of €0.94 million compared with 31 December 2019. This increase is the result of the combined effect of increased current assets and a minor increase in current liabilities. More specifically, on the one hand there were increases in trade receivables not balanced by a proportional reduction in inventories, and on the other a decrease in the liabilities relating to trade payables and income tax payables, as well as a substantial increase in other current liabilities. The impact of net current assets on turnover, due to the effect of the reduced turnover, was 22.9%, compared to 14.6% at the end of 2019.

Group shareholders' equity was €118.9 million (€124.7 million at 31 December 2019).

Outlook at 31 December 2020 and events after the reporting period

Management is constantly monitoring the development of the global scenario and the effects of the continuation of the Covid-19 pandemic on the Group's business. It is too early to draw conclusions on how the year will progress and much will depend on the duration of the restrictions and on the extent companies

will regain their confidence in the future. In February we recorded a sign of improvement in the order intake in the American area, a first encouraging sign which we hope will be confirmed also in the next few months.

Regardless of the dynamics to resolve the pandemic, 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.

Separate financial statements of Parent Company Eurotech S.p.A.

The revenues of Parent Company Eurotech S.p.A. decreased by 34.4% and totalled €19.33 million, compared to €29.48 million in 2019. EBIT for the year amounted to - €2.11 million compared to €3.29 million in 2019. The net loss for the year is €3.00 million (in 2019: profit of €8.38 million). The shareholders' equity of Eurotech S.p.A. at 31 December 2020 was €147.10 million, compared to €149.72 million in 2019. In 2020, the Parent Company posted a net financial position, i.e. net cash, of €29.00 million, compared to €39.03 million in 2019.

The Board of Directors will propose to the Shareholders' Meeting that the loss for the year of €3,005,820 be carried forward.

The Financial Reporting Manager Sandro Barazza certifies, pursuant to article 154-bis, paragraph 2 of the Consolidated Finance Act, that the accounting information contained in this press release corresponds to the company's documents, books and accounting records.

Moreover, the Board approved the Corporate Governance Report which also contains information on the ownership structure pursuant to article 123-bis of the Consolidated Law on Finance, which will be published within the deadlines and in the manner required by current regulations.

In accordance with the new provisions of paragraphs 1 and 1-bis of article 154-ter of the Consolidated Law on Finance, the annual financial report including the separate financial statements, consolidated financial statements, Report on Operations, Corporate Governance Report, and the certification of the Financial Reporting Manager, together with the reports of the independent auditors and the Board of Statutory Auditors, will be published no later than 31 March 2021.

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 develop “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

(€ '000)	FY 2020 (b)	%	FY 2019 (a)	%	change (b-a)	
					amount	%
Sales revenue	69,259	100.0%	101,973	100.0%	(32,714)	-32.1%
Cost of material	(32,741)	-47.3%	(50,022)	-49.1%	(17,281)	-34.5%
Gross profit	36,518	52.7%	51,951	50.9%	(15,433)	-29.7%
Services costs	(12,150)	-17.5%	(13,204)	-12.9%	(1,054)	-8.0%
Lease & hire costs	(404)	-0.6%	(338)	-0.3%	66	19.5%
Payroll costs	(20,095)	-29.0%	(20,383)	-20.0%	(288)	-1.4%
Other provisions and costs	(1,099)	-1.6%	(1,077)	-1.1%	22	2.0%
Other revenues	3,862	5.6%	3,586	3.5%	276	7.7%
EBITDA	6,632	9.6%	20,535	20.1%	(13,903)	-67.7%
Depreciation & Amortization	(4,042)	-5.8%	(3,914)	-3.8%	128	3.3%
Asset impairment	(151)	-0.2%	(10)	0.0%	141	n.s.
EBIT	2,439	3.5%	16,611	16.3%	(14,172)	-85.3%
Subsidiaries management	61	0.1%	0	0.0%	(61)	n/a
Finance expense	(1,461)	-2.1%	(1,002)	-1.0%	459	45.8%
Finance income	793	1.1%	516	0.5%	277	53.7%
Profit before tax	1,832	2.6%	16,125	15.8%	(14,293)	-88.6%
Income tax	(1,700)	-2.5%	3,117	3.1%	4,817	-154.5%
Net profit (loss) of continuing operations before minority interest	132	0.2%	19,242	18.9%	(19,110)	-99.3%
Minority interest	-	0.0%	-	0.0%	-	n/a
Group net profit (loss) for period	132	0.2%	19,242	18.9%	(19,110)	-99.3%
Base earnings per share	0.004		0.554			
Diluted earnings per share	0.004		0.554			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at December 31, 2020	at December 31, 2019
ASSETS		
Intangible assets	86,775	88,905
Property, Plant and equipment	6,468	6,565
Investments in other companies	533	162
Deferred tax assets	7,478	7,981
Medium/long term borrowing allowed to affiliates companies and other Group companies	57	89
Other non-current assets	661	665
Total non-current assets	101,972	104,367
Inventories	17,393	21,256
Trade receivables	16,441	11,707
Income tax receivables	900	269
Other current assets	1,665	2,115
Other current financial assets	125	108
Cash & cash equivalents	41,222	30,687
Total current assets	77,746	66,142
Total assets	179,718	170,509
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(26,415)	(20,623)
Group shareholders' equity	118,864	124,656
Equity attributable to minority interest	-	-
Total shareholders' equity	118,864	124,656
Medium-/long-term borrowing	23,874	11,590
Employee benefit obligations	2,918	2,604
Deferred tax liabilities	3,166	3,097
Other non-current liabilities	1,342	1,060
Total non-current liabilities	31,300	18,351
Trade payables	10,647	11,562
Short-term borrowing	8,901	7,001
Derivative instruments	81	44
Income tax liabilities	810	1,182
Other current liabilities	9,115	7,713
Total current liabilities	29,554	27,502
Total liabilities	60,854	45,853
Total liabilities and equity	179,718	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 December 31, 2020	-	-	-	-	-	-	-	-	-	132	132	-	132
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	(37)	-	-	-	-	(37)	-	(37)
- Actuarial gains/(losses) on defined benefit plans for employees	-	-	-	-	-	-	(109)	-	-	-	(109)	-	(109)
- Foreign balance sheets conversion difference	-	-	-	(2,767)	-	-	-	-	-	-	(2,767)	-	(2,767)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	(3,453)	-	-	(3,453)	-	(3,453)
Total Comprehensive result	-	-	-	(2,767)	-	(37)	(109)	(3,453)	-	132	(6,234)	-	(6,234)
- Performance Share Plan	-	-	-	-	91	-	-	-	351	-	442	-	442
Balance as at December 31, 2020	8,879	1,776	136,400	11,457	(39,574)	(81)	(640)	1,197	(682)	132	118,864	-	118,864

SUMMARY CASH FLOW STATEMENT

(€'000)		at December 31, 2020	at December 31, 2019
Cash flow generated (used) in operations	A	3,388	20,909
Cash flow generated (used) in investment activities	B	(5,092)	(4,307)
Cash flow generated (absorbed) by financial assets	C	13,456	844
Net foreign exchange difference	D	(1,217)	45
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	10,535	17,491
Opening amount in cash & cash equivalents		30,687	13,196
Cash & cash equivalents at end of period		41,222	30,687

NET FINANCIAL POSITION

(€'000)		at December 31, 2020	at December 31, 2019
Cash & cash equivalents	A	(41,222)	(30,687)
Cash equivalent	B=A	(41,222)	(30,687)
Other current financial assets	C	(125)	(108)
Derivative instruments	D	81	44
Short-term borrowing	E	8,901	7,001
Short-term financial position	F=C+D+E	8,857	6,937
Short-term net financial position	G=B+F	(32,365)	(23,750)
Medium/long term borrowing	H	23,874	11,590
Medium-/long-term net financial position	I=H	23,874	11,590
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	(8,491)	(12,160)
Medium/long term borrowing allowed to affiliates companies and other Group	K	(57)	(89)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	(8,548)	(12,249)

NET WORKING CAPITAL

(€'000)	at December 31, 2020 (b)	at December 31, 2019 (a)	Changes (b-a)
Inventories	17,393	21,256	(3,863)
Trade receivables	16,441	11,707	4,734
Income tax receivables	900	269	631
Other current assets	1,665	2,115	(450)
Current assets	36,399	35,347	1,052
Trade payables	(10,647)	(11,562)	915
Income tax liabilities	(810)	(1,182)	372
Other current liabilities	(9,115)	(7,713)	(1,402)
Current liabilities	(20,572)	(20,457)	(115)
Net working capital	15,827	14,890	937