

EUROTECH: RESULTS OF THE CONSOLIDATED INTERIM MANAGEMENT REPORT AS AT 30 SEPTEMBER 2021 APPROVED BY THE BoD

Revenues growing in the third quarter confirm the reversal of the trend, corroborated by a backlog for 2022 that is 50% higher than that at the beginning of 2021 for the current year. EBITDA still negative over the nine months owing to the non-activation of operating leverage and the effect of non-recurring costs.

Amaro (Italy), 12 November 2021

- Consolidated revenues at €43.95 million (€52.57 million as at 30.09.2020, -12.5% based on constant exchange rates)
- Consolidated gross profit at €20.8 million and 47.4% of revenues (€27.9 million and 53.0% of revenues as at 30.09.2020)
- Consolidated EBITDA at €-3.1 million (€4.9 million as at 30.09.2020)
- Non-recurring costs of €1.47 million (deriving mainly from the change of chief executive officer)
- Consolidated EBIT at €-6.5 million (€1.8 million as at 30.09.2020)
- Group net result of €-6.9 million (€0.7 million as at 30.09.2020)
- Net financial position with net cash at €4.8 million (€8.5 million as at 31.12.2020)

The Board of Directors of Eurotech S.p.A. today examined and approved the results of the first nine months of 2021.

Operating performance in the period

Order intake during the third quarter confirmed the sharp recovery already seen in the first two quarters of the year, with a growth trend over the last 12 months of +50%.

The third quarter witnessed the confirmation of the reversal of the trend in turnover, with a growth of 5.1% compared to the same quarter last year (at historical exchange rates) and of 24.4% compared to the second quarter.

The total turnover registered in the first nine months did not allow the activation of operating leverage, and this had a negative impact on the operating margins together with the non-recurring costs.

Operating costs were under control and remained stable year-over-year, although the sales and marketing structure has been strengthened to increase efficiency and effectiveness in go-to-market capability.

In the third quarter EBITDA was substantially breakeven, whilst in the nine months EBITDA was affected by both the trend in turnover and non-recurring costs.

Operating performance of the Eurotech Group

Consolidated revenues in the first nine months of 2021 came to €43.95 million, compared to €52.57 million in the first nine months of 2020, a decrease of 12.5% based on constant exchange rates. Considering historical exchange rates, the decrease is of 16.4%, with a clear reversal of the trend compared to the figure of 26.1% reported in the first six months of 2021.

North America generated turnover which accounted for 48% of the total (nine months 2020: 38%), followed by Japan with 29% (33.0% in the first nine months of 2020), while the European area accounted for the remaining 23% (first half of 2020: 29%).

The **gross profit** in the period under review accounted for 47.4% of turnover, and contrasts with an incidence of 53.0% in the first nine months of 2020. The impact of the higher costs incurred for the procurement of components affected by shortages was about 2 percentage points. The remaining variation is attributable to a fluctuation connected to the different mix of products sold, which is correlated to the different weight of the geographical areas on the total turnover.

In the reference nine-month period, **operating costs** after adjustments and net of non-recurring costs, amounted to €25.06 million, compared to €25.65 million in the first nine months of 2020. At historical exchange rates there was a 2.3% decrease in costs, while at constant exchange rates the change was an increase of 2%.

Non-recurring costs, generated mainly in the first six months of the year, amounted to €1.47 million and derived mostly from the termination of the relationship between the Company and the previous chief executive officer, defined on 23 March.

Adjusted EBITDA in the first nine months totalled -€1.64 million (-3.7% of revenues) compared with €4.87 million in 2020 (9.3% of revenues). Considering also non-recurring costs, EBITDA was -€3.11 million.

Adjusted EBIT, i.e. operating result net of non-recurring costs for the first nine months of 2021 was -€5.06 million (-11.5% of revenues) compared to €1.80 million in the first nine months of 2020 (3.4% of revenues). The operating result (EBIT), including non-recurring costs, amounted to -€6.53 million.

In terms of the Group **net result**, the value of the first nine months was €-6.89 million, while it came to €0.67 million in the first nine months of 2020. This trend reflects both the decrease in EBIT and the different tax burden of the subsidiaries, and the fact that deferred tax assets were not accounted for on the estimated tax losses for the period.

Statement of financial position of the Eurotech Group

The Group's **financial position with net cash** at 30 September 2021 is a positive €4.8 million, compared with €8.5 million at 31 December 2020.

Group cash and cash equivalents came to €33.4 million at 30 September 2021, while they were €41.2 million at the end of 2020. Operations generated cash of €0.8 million, while €4.3 million was used for investments and €4.7 million for the repayment of loans payable.

Net working capital amounted to €13.1 million as at 30 September 2021, compared to €15.8 million as at 31 December 2020 and €12.6 million as at 30 June 2021, a slight increase related to the growth in turnover in the third quarter.

Group **shareholders' equity** was €113.3 million (€118.9 million at 31 December 2020).

Business outlook

With regards to the backlog for 2022, it is 50% higher than that at the beginning of 2021 for the current year, with a further growth compared to +30% recorded at the end of June.

The order backlog at the end of September would be sufficient to support a YoY growth in 2021 of 7%, at constant exchange rates, but the continuing shortage of electronic components could imply a lengthening of the time needed to convert the order into turnover.

The Group is active on a daily basis to minimize the impacts of this shortage.

Scouting on potential targets for inorganic growth continues: the Management Team is evaluating a short list of candidates.

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.

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 companies. 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 fields, in this way creating a global ecosystem that allows them 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)	3rd Qtr 2021	of which non recurrent	%	3rd Qtr 2020	%	9M 2021 (b)	of which non recurrent	%	9M 2020 (a)	%	change (b-a) amount	%
Sales revenue	17,224		100%	16,384	100%	43,954		100.0%	52,572	100.0%	(8,618)	-16.4%
Cost of material	(9,606)		-55.8%	(7,473)	-45.6%	(23,132)		-52.6%	(24,683)	-47.0%	(1,551)	-6.3%
Gross profit	7,618		44.2%	8,911	54.4%	20,822		47.4%	27,889	53.0%	(7,067)	-25.3%
Services costs	(2,984)	(57)	-17.3%	(2,997)	-18.3%	(10,169)	(1,270)	-23.1%	(9,236)	-17.6%	933	10.1%
Lease & hire costs	(84)		-0.5%	(92)	-0.6%	(293)		-0.7%	(307)	-0.6%	(14)	-4.6%
Payroll costs	(5,082)		-29.5%	(4,821)	-29.4%	(15,236)		-34.7%	(15,505)	-29.5%	(269)	-1.7%
Other provisions and costs	(227)		-1.3%	(231)	-1.4%	(837)	(202)	-1.9%	(607)	-1.2%	230	37.9%
Other revenues	766		4.4%	892	5.4%	2,600		5.9%	2,635	5.0%	(35)	-1.3%
EBITDA	7		0.0%	1,662	10.1%	(3,113)		-7.1%	4,869	9.3%	(7,982)	163.9%
Depreciation & Amortization	(1,126)		-6.5%	(971)	-5.9%	(3,418)		-7.8%	(3,007)	-5.7%	411	13.7%
Asset impairment	0		0.0%	0	0.0%	0		0.0%	(60)	-0.1%	(60)	-100.0%
EBIT	(1,119)		-6.5%	691	4.2%	(6,531)		-14.9%	1,802	3.4%	(8,333)	462.4%
Subsidiaries management	0		0.0%	0	0.0%	0		0.0%	0	0.0%	0	n/a
Finance expense	(95)		-0.6%	(319)	-1.9%	(900)		-2.0%	(850)	-1.6%	50	5.9%
Finance income	158		0.9%	(38)	-0.2%	589		1.3%	678	1.3%	(89)	-13.1%
Profit before tax	(1,056)		-6.1%	334	2.0%	(6,842)		-15.6%	1,630	3.1%	(8,472)	n.s.
Income tax	(72)		-0.4%	(239)	-1.5%	(47)		-0.1%	(958)	-1.8%	(911)	-95.1%
Net profit (loss) of continuing operations before minority interest	(1,128)		-6.5%	95	0.6%	(6,889)		-15.7%	672	1.3%	(7,561)	n.s.
Minority interest	0		0.0%	0	0.0%	-		0.0%	-	0.0%	-	n/a
Group net profit (loss) for period	(1,128)		-6.5%	95	0.6%	(6,889)		-15.7%	672	1.3%	(7,561)	n.s.
Base earnings per share						(0.195)			0.019			
Diluted earnings per share						(0.195)			0.019			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at September 30, 2021	at December 31, 2020
ASSETS		
Intangible assets	87,699	86,775
Property, Plant and equipment	5,977	6,468
Investments in other companies	539	533
Deferred tax assets	7,762	7,478
Medium/long term borrowing allowed to affiliates companies and other Group companies	61	57
Other non-current assets	621	661
Total non-current assets	102,659	101,972
Inventories	18,546	17,393
Trade receivables	10,275	16,441
Income tax receivables	1,744	900
Other current assets	2,201	1,665
Other current financial assets	121	125
Cash & cash equivalents	33,439	41,222
Total current assets	66,326	77,746
Total assets	168,985	179,718
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(32,027)	(26,415)
Group shareholders' equity	113,252	118,864
Equity attributable to minority interest	-	-
Total shareholders' equity	113,252	118,864
Medium-/long-term borrowing	20,335	23,874
Employee benefit obligations	2,983	2,918
Deferred tax liabilities	3,110	3,166
Other non-current liabilities	1,127	1,342
Total non-current liabilities	27,555	31,300
Trade payables	11,523	10,647
Short-term borrowing	8,428	8,901
Derivative instruments	35	81
Income tax liabilities	268	810
Other current liabilities	7,924	9,115
Total current liabilities	28,178	29,554
Total liabilities	55,733	60,854
Total liabilities and equity	168,985	179,718

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, 2020	8,879	1,776	136,400	11,457	(39,574)	(81)	(640)	1,197	(682)	132	118,864	-	118,864
2020 Result allocation	-	-	-	-	132	-	-	-	-	(132)	-	-	-
Profit (loss) as at September 30, 2021	-	-	-	-	-	-	-	-	-	(6,889)	(6,889)	-	(6,889)
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	46	-	-	-	-	46	-	46
- Foreign balance sheets conversion difference	-	-	-	(1,063)	-	-	-	-	-	-	(1,063)	-	(1,063)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	2,162	-	-	2,162	-	2,162
Total Comprehensive result	-	-	-	(1,063)	-	46	-	2,162	-	(6,889)	(5,744)	-	(5,744)
- Performance Share Plan	-	-	-	-	(339)	-	-	-	471	-	132	-	132
Balance as at September 30, 2021	8,879	1,776	136,400	10,394	(39,781)	(35)	(640)	3,359	(211)	(6,889)	113,252	-	113,252

SUMMARY CASH FLOW STATEMENT

(€'000)		at September 30, 2021	at December 31, 2020	at September 30, 2020
Cash flow generated (used) in operations	A	824	3,388	(1,335)
Cash flow generated (used) in investment activities	B	(4,353)	(5,092)	(3,712)
Cash flow generated (absorbed) by financial assets	C	(4,707)	13,456	5,049
Net foreign exchange difference	D	453	(1,217)	(795)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(7,783)	10,535	(793)
Opening amount in cash & cash equivalents		41,222	30,687	30,687
Cash & cash equivalents at end of period		33,439	41,222	29,894

NET FINANCIAL POSITION

(€'000)		at September 30, 2021	at December 31, 2020	at September 30, 2020
Cash	A	(33,439)	(41,222)	(29,894)
Cash equivalents	B	-	-	-
Other current financial assets	C	(121)	(125)	(93)
Cash equivalent	D=A+B+C	(33,560)	(41,347)	(29,987)
Current financial debt	E	152	328	183
Current portion of non-current financial debt	F	8,311	8,654	7,141
Short-term financial position	G=E+F	8,463	8,982	7,324
Short-term net financial position	H=G+D	(25,097)	(32,365)	(22,663)
Non current financial debt	I	20,335	23,874	16,366
Debt instrument	J	-	-	-
Trade payables and other non-current payables	K	-	-	-
Medium-/long-term net financial position	L=I+J+K	20,335	23,874	16,366
(NET FINANCIAL POSITION) NET DEBT ESMA	M=H+L	(4,762)	(8,491)	(6,297)
Medium/long term borrowing allowed to affiliates companies and other Group companies	N	(61)	(57)	(60)
(NET FINANCIAL POSITION) NET DEBT	O=M+N	(4,823)	(8,548)	(6,357)

NET WORKING CAPITAL

(€'000)	at September 30, 2021 (b)	at December 31, 2020 (a)	at September 30, 2020	Changes (b-a)
Inventories	18,546	17,393	19,442	1,153
Trade receivables	10,275	16,441	14,819	(6,166)
Income tax receivables	1,744	900	612	844
Other current assets	2,201	1,665	2,319	536
Current assets	32,766	36,399	37,192	(3,633)
Trade payables	(11,523)	(10,647)	(9,616)	(876)
Income tax liabilities	(268)	(810)	(427)	542
Other current liabilities	(7,924)	(9,115)	(7,559)	1,191
Current liabilities	(19,715)	(20,572)	(17,602)	857
Net working capital	13,051	15,827	19,590	(2,776)