

EUROTECH: REVENUES AS AT 31 MARCH 2021 AT €12.9 MILLION (-35%), EBITDA €-1.8 MILLION (€-0.7 MILLION NET OF NON-RECURRING COSTS) AND NFP WITH NET CASH OF €10.3 MILLION

BoD approves the results of the Consolidated Interim Management Report as at 31 March 2021

Amaro (Italy), 14 May 2021

- Consolidated revenues at €12.9 million (-35% compared to 31 March 2020, -31% at constant exchange rates)
- Consolidated gross profit at €6.4 million (50% of revenues, -35% compared to 31 March 2020)
- Consolidated EBITDA at €-1.8 million (€-3.5 million compared to 31 March 2020)
- Non-recurring costs equal to €1.1 million (deriving from the economic agreement related to the conclusion of the relationship between the previous CEO and the Company)
- Consolidated EBIT at €-2.8 million (€-3.7 million compared to 31 March 2020)
- Group net profit at €-2.9 million (€-3.4 million compared to 31 March 2020)
- Net financial position with net cash of €10.3 million (€8.6 million as at 31 December 2020)

Today, the Board of Directors of Eurotech S.p.A. reviewed and approved the results of the first three months of 2021.

Performance in the Period

Revenue performance in the first quarter of 2021 was weak, in line with the last three quarters of 2020 and with the forecast made at the beginning of the fiscal year by management. These results were still affected by the cancellation in 2020 of HPEC-based programs and the postponement of various Proof Of Concept (POC) that should have led to Design-wins in 2021. We benefited less rapidly than other peers from the recovery of the economy and from the possibility to sell-in on indirect sales channels, having in our portfolio products for Mission Critical applications and therefore less standardized.

However, the order book is significantly growing, particularly in the US area. In addition, POC initiatives in the Industrial IoT market resumed, thanks also to an intensification of collaboration activities with our Partners and with a portfolio with more off-the-shelf products.

In terms of balance sheet, management's actions enabled to optimize working capital, which was reduced by €4.51 million compared to 31 December 2020, reaching its lowest level in five years at €11.31 million. This enabled the generation of operating cash flows of €2.61 million and improved the net financial position by more than €1.7 million compared to year-end 2020, creating additional incentive for inorganic growth initiatives.

Economic Performance of the Eurotech Group

Group revenues for the first three months of 2021 amounted to Euro 12.88 million, compared to Euro 19.75 million in the first three months of 2020, a decrease of 30.7% at constant exchange rates. It should be remembered that, historically, the first quarter of the year is not representative of the performance for the entire financial year.

The first margin of the quarter under review, as a percentage of sales, stood at 50.0%, in line with both the previous year and management expectations.

North America generated the revenues equal to 39.5% of the total (Q1 2020: 46.9%) followed by Japan with 35.0% (Q1 2020: 30.3%), and with the European region accounting for the remaining 25.5% (Q1 2020: 22.8%).

In the three months under review, operating expenses before adjustments and net of non-recurring costs amounted to €7.94 million, a decrease of 8.7% compared to €8.70 million in the first quarter of 2020. This reduction is attributable for €0.33 million to the exchange rate effect and for €0.41 million to lower operating costs. As a percentage of revenues, gross operating expenses net of non-recurring costs stood at 61.7%, compared to 44.0% in the first quarter of 2020.

Non-recurring costs, represented in the income statement in the first quarter of 2021 only, amount to €1,066 thousand and refer entirely to the economic agreement resulting from to the conclusion of the relationship between the previous CEO and the Company, defined on March 23.

Adjusted EBITDA in the first three months amounted to €-0.71 million (-5.5% of revenues), compared to €1.69 million in 2020 (8.6% of revenues), reflecting the trend of both the first margin and operating costs and other revenues. Including non-recurring costs, EBITDA amounted to €-1.77 million.

EBIT net of non-recurring costs (adjusted EBIT) in the first three months of 2021 was €-1.74 million (-13.8% of revenues), compared to €0.82 million in the first three months of 2020 (4.2% of revenues). The operating result (EBIT) including non-recurring costs amounted to €-2.84 million.

In terms of Group net income, the figure for the quarter was €-2.93 million, while it was €0.51 million in the first three months of 2020. This performance reflects both the contraction in EBIT and the different tax burden of the subsidiaries, as well as the fact that no deferred tax assets were recognized on the estimated tax losses on the quarter.

Balance Sheet and Financial Performance of the Eurotech Group

The Group's financial position as at 31 March 2021 shows a positive net cash of €10.3 million, compared to €8.6 million as at 31 December 2020.

Group cash and cash equivalents were €40.7 million as at 31 March 2021, while they were €41.2 million at the end of 2020.

Net working capital as at 31 March 2021 came to €11.3 million, compared to €15.8 million as at 31 December 2020 and €17.5 million as at 31 March 2020. The decrease resulted primarily from a reduction in trade receivables.

Group shareholders' equity was €116 million (€119 million as at 31 December 2020).

Foreseeable evolution of operations and events after 31 March 2021

A recovery in order intake in the first quarter of 2021, particularly in the US area, suggests that there could be a recovery in revenues from the second half of the year. However, we are monitoring the global evolution of the electronics component shortage on a weekly basis, which could impact our customers' and/or suppliers' supply chains.

Collaborations with partners in the IoT ecosystem are progressing positively and are leading to new design-wins that may contribute tangibly to next year's revenue.

Growth could also occur through external lines, by means of M&A, since we can count on a good financial position and on the existing cash resources..

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 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

CONSOLIDATED INCOME STATEMENT						
(€ '000)	1Q 2021 (b)	%	1Q 2020 (a)	%	change (b-a)	
					amount	%
Sales revenue	12,880	100.0%	19,752	100.0%	(6,872)	-34.8%
Cost of material	(6,442)	-50.0%	(9,886)	-50.1%	(3,444)	-34.8%
Gross profit	6,438	50.0%	9,866	49.9%	(3,428)	-34.7%
Services costs	(3,634)	-28.2%	(3,112)	-15.8%	522	16.8%
- of which non recurrent	(1,066)	-8.3%	-	0.0%	1,066	n/a
Lease & hire costs	(113)	-0.9%	(113)	-0.6%	0	0.0%
Payroll costs	(4,978)	-38.6%	(5,271)	-26.7%	(293)	-5.6%
Other provisions and costs	(285)	-2.2%	(201)	-1.0%	84	41.8%
Other revenues	799	6.2%	526	2.7%	273	51.9%
EBITDA	(1,773)	-13.8%	1,695	8.6%	(3,468)	204.6%
Depreciation & Amortization	(1,067)	-8.3%	(874)	-4.4%	193	22.1%
EBIT	(2,840)	-22.0%	821	4.2%	(3,661)	445.9%
Subsidiaries management	0	0.0%	0	0.0%	0	n/a
Finance expense	(585)	-4.5%	(324)	-1.6%	261	80.6%
Finance income	536	4.2%	372	1.9%	164	44.1%
Profit before tax	(2,889)	-22.4%	869	4.4%	(3,758)	432.5%
Income tax	(44)	-0.3%	(360)	-1.8%	(316)	-87.8%
Net profit (loss) of continuing operations before minority interest	(2,933)	-22.8%	509	2.6%	(3,442)	n.s.
Minority interest	-	0.0%	-	0.0%	-	n/a
Group net profit (loss) for period	(2,933)	-22.8%	509	2.6%	(3,442)	n.s.
Base earnings per share	(0.083)		0.015			
Diluted earnings per share	(0.083)		0.015			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at March 31, 2021	at December 31, 2020
ASSETS		
Intangible assets	87,045	86,775
Property, Plant and equipment	6,163	6,468
Investments in other companies	538	533
Deferred tax assets	7,508	7,478
Medium/long term borrowing allowed to affiliates companies and other Group companies	60	57
Other non-current assets	623	661
Total non-current assets	101,937	101,972
Inventories	17,635	17,393
Trade receivables	9,071	16,441
Income tax receivables	907	900
Other current assets	1,951	1,665
Other current financial assets	125	125
Cash & cash equivalents	40,725	41,222
Total current assets	70,414	77,746
Total assets	172,351	179,718
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(28,850)	(26,415)
Group shareholders' equity	116,429	118,864
Equity attributable to minority interest	-	-
Total shareholders' equity	116,429	118,864
Medium-/long-term borrowing	21,790	23,874
Employee benefit obligations	2,928	2,918
Deferred tax liabilities	3,128	3,166
Other non-current liabilities	1,003	1,342
Total non-current liabilities	28,849	31,300
Trade payables	10,411	10,647
Short-term borrowing	8,759	8,901
Derivative instruments	63	81
Income tax liabilities	332	810
Other current liabilities	7,508	9,115
Total current liabilities	27,073	29,554
Total liabilities	55,922	60,854
Total liabilities and equity	172,351	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)	(8)	(640)	1,197	(682)	132	118,864	-	118,864
2020 Result allocation	-	-	-	-	132	-	-	-	-	(132)	-	-	-
Profit (loss) as at March 31, 2021	-	-	-	-	-	-	-	-	-	(2,933)	(2,933)	-	(2,933)
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	18	-	-	-	-	18	-	18
- Actuarial gains/(losses) on defined benefit plans for employees	-	-	-	-	-	-	-	-	-	-	-	-	-
- Foreign balance sheets conversion difference	-	-	-	(1,147)	-	-	-	-	-	-	(1,147)	-	(1,147)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	1,598	-	-	1,598	-	1,598
Total Comprehensive result	-	-	-	(1,147)	-	18	-	1,598	-	(2,933)	(2,464)	-	(2,464)
- Performance Share Plan	-	-	-	-	29	-	-	-	-	-	29	-	29
Balance as at March 31, 2021	8,879	1,776	136,400	10,310	(39,413)	(63)	(640)	2,795	(682)	(2,933)	116,429	-	116,429

SUMMARY CASH FLOW STATEMENT

(€'000)		at March 31, 2021	at December 31, 2020	at March 31, 2020
Cash flow generated (used) in operations	A	2,610	3,388	(304)
Cash flow generated (used) in investment activities	B	(1,135)	(5,092)	(1,712)
Cash flow generated (absorbed) by financial assets	C	(2,208)	13,456	(1,196)
Net foreign exchange difference	D	236	(1,217)	310
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(497)	10,535	(2,902)
Opening amount in cash & cash equivalents		41,222	30,687	30,687
Cash & cash equivalents at end of period		40,725	41,222	27,785

NET FINANCIAL POSITION

(€'000)		at March 31, 2021	at December 31, 2020	at March 31, 2020
Cash & cash equivalents	A	(40,725)	(41,222)	(27,785)
Cash equivalent	B=A	(40,725)	(41,222)	(27,785)
Other current financial assets	C	(125)	(125)	(110)
Derivative instruments	D	63	81	43
Short-term borrowing	E	8,759	8,901	7,643
Short-term financial position	F=C+D+E	8,697	8,857	7,576
Short-term net financial position	G=B+F	(32,028)	(32,365)	(20,209)
Medium/long term borrowing	H	21,790	23,874	9,922
Medium-/long-term net financial position	I=H	21,790	23,874	9,922
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	(10,238)	(8,491)	(10,287)
Medium/long term borrowing allowed to affiliates companies and other Group companies	K	(60)	(57)	(91)
(NET FINANCIAL POSITION) NET DEBT	L=J+K	(10,298)	(8,548)	(10,378)

NET WORKING CAPITAL

(€'000)	at March 31, 2021 (b)	at December 31, 2020 (a)	at March 31, 2020	Changes (b-a)
Inventories	17,635	17,393	20,005	242
Trade receivables	9,071	16,441	13,175	(7,370)
Income tax receivables	907	900	140	7
Other current assets	1,951	1,665	2,293	286
Current assets	29,564	36,399	35,613	(6,835)
Trade payables	(10,411)	(10,647)	(10,788)	236
Income tax liabilities	(332)	(810)	(445)	478
Other current liabilities	(7,508)	(9,115)	(6,853)	1,607
Current liabilities	(18,251)	(20,572)	(18,086)	2,321
Net working capital	11,313	15,827	17,527	(4,514)