

EUROTECH: RESULTS OF THE CONSOLIDATED FINANCIAL REPORT AS AT 30 JUNE 2021 APPROVED BY THE BoD

Revenues in the second quarter up compared to the first quarter, marking a reversal of the trend, confirmed by the growth in orders and by a backlog for 2022 30% higher than that at the beginning of 2021. EBITDA still negative over the six months owing to the non-activation of operating leverage and the effect of non-recurring costs.

Amaro (Italy), 3 September 2021

- Consolidated revenues at €26.7 million (€36.19 million as at 30.06.2020, -21% based on constant exchange rates)
- Consolidated gross profit at €13.2 million and 49.4% of revenues (€19.0 million and 52.4% of revenues as at 30.06.2020)
- Consolidated EBITDA at €-3.1 million (€3.2 million as at 30.06.2020)
- Non-recurring costs of €1.4 million (deriving mainly from the change of chief executive officer)
- Consolidated EBIT at €-5.4 million (€1.1 million as at 30.06.2020)
- Group net result of €-5.8 million (€0.6 million as at 30.06.2020)
- Net financial position with net cash at €5.8 million (€8.6 million as at 31.12.2020)

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

Operating performance in the period

The second quarter witnessed the start of the reversal of the trend in turnover, with growth of 7.5% compared to the first quarter.

In the first six months, the turnover of the IoT business line recorded an increase of 15% compared to the first half of the previous year.

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

The order intake in the first half posted a clear recovery with respect to that recorded in 2020, with a growth trend of +40% over a 12 months period. The order backlog at the end of June would already be sufficient to sustain YoY growth in 2021 of between 5% and 9%, based on unchanged exchange rates, but the shortage of

electronic components is hindering the transformation of orders into turnover and will continue to do so. The continuation of the internal task force's work to source critical components will be essential in the coming months in determining the year-end result.

Operating performance of the Eurotech Group

Consolidated revenues in the first six months of 2021 came to €26.73 million, compared to €36.19 million in the first six months of 2020, a decrease of 21.1% based on constant exchange rates (-26.1% at historical exchange rates). It should be noted that the first half of the year, historically, has a lower weight on the entire year than the second half.

North America generated turnover which accounted for 44.1% of the total (first half of 2020: 42.2%), followed by Japan with 30.7% (34.0% in the first half of 2020), while the European area accounted for the remaining 25.1% (first half of 2020: 23.8%).

The **gross profit** in the period under review accounted for 49.4% of turnover, in line with management's expectations and contrasts with an incidence of 52.4% in the first half of 2020. The impact of the higher costs incurred for the procurement of components affected by shortages was 1.5 percentage points. The remaining variation is attributable to a natural fluctuation connected to the different mix of products sold.

In the reference six-month period, **operating costs** after adjustments and net of non-recurring costs, amounted to €16.74 million, marking a decrease of 4.4% compared to €17.51 million in the first six months of 2020. This reduction is attributable almost entirely to the exchange rates effect.

Non-recurring costs, represented in the income statement solely in the first half of 2021, amounted to €1.4 million, deriving 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 six months totalled -€1.70 million (-6.4% of revenues) compared with €3.21 million in 2020 (8.9% of revenues), reflecting the trend of both gross profit and of operating costs and other revenues. Considering also non-recurring costs, EBITDA was -€3.12 million.

Adjusted EBIT, i.e. operating result net of non-recurring costs for the first six months of 2021 was -€4.00 million (-14.9% of revenues) compared to €1.11 million in the first six months of 2020 (3.1% of revenues). The operating result (EBIT), including non-recurring costs, amounted to -€5.41 million.

In terms of the Group **net result**, the value of the first half was €-5.76 million, while it came to €0.58 million in the first half 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 half.

Statement of financial position of the Eurotech Group

The Group's **financial position with net cash** at 30 June 2021 is a positive €5.8 million, compared with €8.6 million at 31 December 2020.

Group cash and cash equivalents came to €34.2 million at 30 June 2021, while they were €41.2 million at the end of 2020. Operations generated cash of €0.8 million, while €3.3 million was used for investments and €4.7 million for the repayment of loans payable. We should point out that the loan agreements in place with banks subject to covenants amount to just €1 million.

Net working capital amounted to €12.6 million as at 30 June 2021, compared to €15.8 million as at 31 December 2020 and €16.8 million as at 30 June 2020.

Group **shareholders' equity** was €112.5 million (€118.9 million at 31 December 2020).

Business outlook

The trend in orders in the first half of 2021, in particular in the American market, allows us to forecast a recovery in turnover in the second half of the year. There remains a shortage of electronic components, which will last at least until the end of the year, and will probably extend also in the first few months of 2022. The Group has taken steps to minimize the impact of component sourcing difficulties on deliveries.

As of today, the visibility on the coming quarters allows us to predict a third quarter of increased revenues compared to the second quarter. For the last quarter of 2021 we expect a strong growth, in the double-digit area, on revenues compared to the third and with a positive profit margin.

With regards to the backlog for 2022, it is already 30% higher than that at the beginning of 2021.

Future growth may also be achieved externally through M&A transactions: in this perspective, the Management Team continues to research, select and evaluate a pipeline of potential targets.

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)	1H 2021 (b)	<i>of which non recurrent</i>	%	1H 2020 (a)	%	change (b-a)	
						amount	%
Sales revenue	26,730		100.0%	36,188	100.0%	(9,458)	-26.1%
Cost of material	(13,526)		-50.6%	(17,210)	-47.6%	(3,684)	-21.4%
Gross profit	13,204		49.4%	18,978	52.4%	(5,774)	-30.4%
Services costs	(7,185)	(1,213)	-26.9%	(6,239)	-17.2%	946	15.2%
Lease & hire costs	(209)		-0.8%	(215)	-0.6%	(6)	-2.8%
Payroll costs	(10,154)		-38.0%	(10,684)	-29.5%	(530)	-5.0%
Other provisions and costs	(610)	(202)	-2.3%	(376)	-1.0%	234	62.2%
Other revenues	1,834		6.9%	1,743	4.8%	91	5.2%
EBITDA	(3,120)		-11.7%	3,207	8.9%	(6,327)	197.3%
Depreciation & Amortization	(2,292)		-8.6%	(2,036)	-5.6%	256	12.6%
EBIT	(5,412)		-20.2%	1,111	3.1%	(6,523)	n.s.
Subsidiaries management	0		0.0%	0	0.0%	0	n/a
Finance expense	(805)		-3.0%	(531)	-1.5%	274	51.6%
Finance income	431		1.6%	716	2.0%	(285)	-39.8%
Profit before tax	(5,786)		-21.6%	1,296	3.6%	(7,082)	n.s.
Income tax	25		0.1%	(719)	-2.0%	(744)	103.5%
Net profit (loss) of continuing operations before minority interest	(5,761)		-21.6%	577	1.6%	(6,338)	n.s.
Minority interest	-		0.0%	-	0.0%	-	n/a
Group net profit (loss) for period	(5,761)		-21.6%	577	1.6%	(6,338)	n.s.
Base earnings per share	(0.163)			0.016			
Diluted earnings per share	(0.163)			0.016			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at June 30, 2021	at December 31, 2020
ASSETS		
Intangible assets	86,314	86,775
Property, Plant and equipment	6,053	6,468
Investments in other companies	536	533
Deferred tax assets	7,673	7,478
Medium/long term borrowing allowed to affiliates companies and other Group companies	59	57
Other non-current assets	615	661
Total non-current assets	101,250	101,972
Inventories	18,893	17,393
Trade receivables	8,974	16,441
Income tax receivables	1,166	900
Other current assets	2,434	1,665
Other current financial assets	125	125
Cash & cash equivalents	34,244	41,222
Total current assets	65,836	77,746
Total assets	167,086	179,718
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(32,738)	(26,415)
Group shareholders' equity	112,541	118,864
Equity attributable to minority interest	-	-
Total shareholders' equity	112,541	118,864
Medium-/long-term borrowing	20,017	23,874
Employee benefit obligations	2,872	2,918
Deferred tax liabilities	3,069	3,166
Other non-current liabilities	1,115	1,342
Total non-current liabilities	27,073	31,300
Trade payables	10,157	10,647
Short-term borrowing	8,550	8,901
Derivative instruments	47	81
Income tax liabilities	275	810
Other current liabilities	8,443	9,115
Total current liabilities	27,472	29,554
Total liabilities	54,545	60,854
Total liabilities and equity	167,086	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 June 30, 2021	-	-	-	-	-	-	-	-	-	(5,761)	(5,761)	-	(5,761)
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	34	-	-	-	-	34	-	34
- Foreign balance sheets conversion difference	-	-	-	(1,889)	-	-	-	-	-	-	(1,889)	-	(1,889)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	1,258	-	-	1,258	-	1,258
Total Comprehensive result	-	-	-	(1,889)	-	34	-	1,258	-	(5,761)	(6,358)	-	(6,358)
- Performance Share Plan	-	-	-	-	(436)	-	-	-	471	-	35	-	35
Balance as at June 30, 2021	8,879	1,776	136,400	9,568	(39,878)	(47)	(640)	2,455	(21)	(5,761)	112,541	-	112,541

SUMMARY CASH FLOW STATEMENT

(€'000)		at June 30, 2021	at December 31, 2020	at June 30, 2020
Cash flow generated (used) in operations	A	756	3,388	576
Cash flow generated (used) in investment activities	B	(3,269)	(5,092)	(2,346)
Cash flow generated (absorbed) by financial assets	C	(4,674)	13,456	1,542
Net foreign exchange difference	D	209	(1,217)	(412)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(6,978)	10,535	(640)
Opening amount in cash & cash equivalents		41,222	30,687	30,687
Cash & cash equivalents at end of period		34,244	41,222	30,047

NET FINANCIAL POSITION

(€'000)		at June 30, 2021	at December 31, 2020	at June 30, 2020
Cash	A	(34,244)	(41,222)	(30,047)
Cash equivalents	B	-	-	-
Other current financial assets	C	(125)	(125)	(110)
Cash equivalent	D=A+B+C	(34,369)	(41,347)	(30,157)
Current financial debt	E	249	328	407
Current portion of non-current financial debt	F	8,348	8,654	7,148
Short-term financial position	G=E+F	8,597	8,982	7,555
Short-term net financial position	H=G+D	(25,772)	(32,365)	(22,602)
Non current financial debt	I	20,017	23,874	12,632
Debt instrument	J	-	-	-
Trade payables and other non-current payables	K	-	-	-
Medium-/long-term net financial position	L=I+J+K	20,017	23,874	12,632
(NET FINANCIAL POSITION) NET DEBT ESMA	M=H+L	(5,755)	(8,491)	(9,970)
Medium/long term borrowing allowed to affiliates companies and other Group	N	(59)	(57)	(89)
(NET FINANCIAL POSITION) NET DEBT	O=M+N	(5,814)	(8,548)	(10,059)

NET WORKING CAPITAL

(€'000)	at June 30, 2021 (b)	at December 31, 2020 (a)	at June 30, 2020	Changes (b-a)
Inventories	18,893	17,393	20,609	1,500
Trade receivables	8,974	16,441	12,451	(7,467)
Income tax receivables	1,166	900	544	266
Other current assets	2,434	1,665	2,313	769
Current assets	31,467	36,399	35,917	(4,932)
Trade payables	(10,157)	(10,647)	(10,680)	490
Income tax liabilities	(275)	(810)	(839)	535
Other current liabilities	(8,443)	(9,115)	(7,615)	672
Current liabilities	(18,875)	(20,572)	(19,134)	1,697
Net working capital	12,592	15,827	16,783	(3,235)