consolidated interim *financial report*

at
30 June
2022

eurotech
UNLEASHING THE POWER OF THE EDGE

Date of issue: 6 September 2022
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in the “Investors” section of
www.eurotech.com

EUROTECH S.p.A.
Registered offices: Via Fratelli Solari 3/A, Amaro (Udine), Italy
Share capital: €8,878,946 fully paid in
Tax code and
Udine Company Register no.: 01791330309

CONTENTS

Corporate Bodies

Board of Directors	
Chairperson	Patrizio Mapelli
Deputy Chairperson	Aldo Fumagalli [1]
Director	Paul Chawla
Director	Marco Costaguta [1]
Director	Susanna Curti [1 5]
Director	Maria Grazia Filippini [1 2 3 4 5]
Director	Antongiulio Marti [1 3]
Director	Chiara Mio [1 2 3 4]
Director	Laura Rovizzi [1 2 4 5]

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 28 April 2020 and was supplemented at the Annual General Meeting of 11 June 2021; it will remain in office until approval of the 2022 financial statements.

Board of Statutory Auditors	
Chairperson	Fabio Monti
Statutory Auditor	Pietro Biagio Monterisi
Statutory Auditor	Daniela Savi
Substitute Auditor	Daniele Englaro
Substitute Auditor	Luigina Zocco

The Board of Statutory Auditors currently in office was appointed by shareholders at the Annual General Meeting of 28 April 2020 and was supplemented at the Annual General Meeting of 28 April 2022; it will remain in office until approval of the 2022 financial statements.

Independent Auditor	
	PricewaterhouseCoopers

The independent auditor was appointed for the period 2014-2022 by shareholders at the Annual General Meeting of 24 April 2014.

Corporate name and registered offices of the Parent Company	
	Eurotech S.p.A. Via Fratelli Solari 3/A 33020 Amaro (UD), Italy Udine Company Register number 01791330309

[1] Non-executive Directors.

[2] Independent Directors pursuant to the Corporate Governance Code issued by the Italian Corporate Governance Committee for Listed Companies.

[3] Member of the Control and Risks Committee

[4] Member of the Committee for Transactions with Related Parties

[5] Member of the Remuneration and Appointments Committee

Information for shareholders

The ordinary shares of Eurotech S.p.A., the Parent Company of the Eurotech Group since 30 November 2005, have been listed in the Euronext Star Milan segment of the Euronext Milan market organised and managed by Borsa Italiana S.p.A.

Share capital of Eurotech S.p.A. at 30 June 2022

Share capital	€8,878,946.00
Number of ordinary shares (without nominal unit value)	35,515,784
Number of savings shares	-
Number of Eurotech S.p.A. ordinary treasury shares	89,920
Stock market capitalisation (based on the average share price in June 2022)	€99 million
Stock market capitalisation (based on the share price on 30 June 2022)	€101 million

Performance of Eurotech S.p.A. shares

Relative performance EUROTECH S.p.A.
01.01.2022 – 30.06.2022

The line graph shows the share's performance based on daily reference prices

The candle chart shows the share's daily maximum and minimum prices

Management report

Introduction

The consolidated annual financial statements of Eurotech Group were prepared in accordance with IFRS accounting standards issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Art. 6 of EC Regulation 1606/2002 of the European Parliament and European Council of 19 July 2002.
These condensed consolidated half-year financial statements at 30 June 2022 were prepared in accordance with the provisions of IAS 34 "Interim Financial Reporting", Art. 154-ter of the Consolidated Law on Finance as well as the relevant Consob provisions. This condensed consolidated half-year financial statements are subject to a limited audit according to the criteria recommended by Consob. The condensed consolidated half-year financial statements do not contain all the information and notes required for drafting the consolidated annual financial statements and therefore these financial statements must be read together with the consolidated annual financial statements at 31 December 2021.
Unless otherwise stated, data are expressed in thousands of euro.

Performance highlights

Financial data

(€'000) **OPERATING RESULTS**	H1 2022	%	H1 2021	%	% change
SALES REVENUES	34.741	100,0%	26.730	100,0%	30,0%
GROSS PROFIT MARGIN	14.779	42,5%	13.204	49,4%	11,9%
EBITDA ADJ	(1.566)	-4,5%	(1.705)	-6,4%	-8,2%
Non recurring costs	0	0,0%	(1.415)	-5,3%	100,0%
EBITDA	(1.566)	-4,5%	(3.120)	-11,7%	49,8%
EBIT	(3.990)	-11,5%	(5.412)	-20,2%	26,3%
PROFIT (LOSS) BEFORE TAXES	(4.318)	-12,4%	(5.786)	-21,6%	25,4%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	(4.263)	-12,3%	(5.761)	-21,6%	26,0%

Statement of financial position data

€'000 BALANCE SHEET AND FINANCIAL HIGHLIGHTS	at June 30, 2022	at December 31, 2021
Non-current assets	**98,222**	**101,000**
- of which net intangible assets	85,741	88,043
- of which net tangible assets	4,440	5,229
Current assets	**59,024**	**63,688**
TOTAL ASSETS	**157,246**	**165,053**
Group shareholders' equity	**105,240**	**110,436**
Minority interest	**0**	**0**
Non-current liabilities	**19,372**	**25,056**
Current liabilities	**32,634**	**29,561**
TOTAL LIABILITIES AND EQUITY	**157,246**	**165,053**

€'000	at June 30, 2022	at December 31, 2021
NET FINANCIAL POSITION	**(271)**	**(6,210)**
NET WORKING CAPITAL	**13,409**	**10,444**
NET INVESTED CAPITAL*	**104,969**	**103,861**
CASH FLOW DATA		
Cash flow generated (used) in operations	(5,379)	3,279
Cash flow generated (used) in investment activities	(1,316)	(5,274)
Cash flow generated (absorbed) by financial assets	(4,165)	(8,059)
Net foreign exchange difference	434	536
TOTAL CASH FLOW	**(10,426)**	**(9,518)**

(*) Non-current, non-financial assets, plus net working capital, minus non-current, non-financial liabilities.

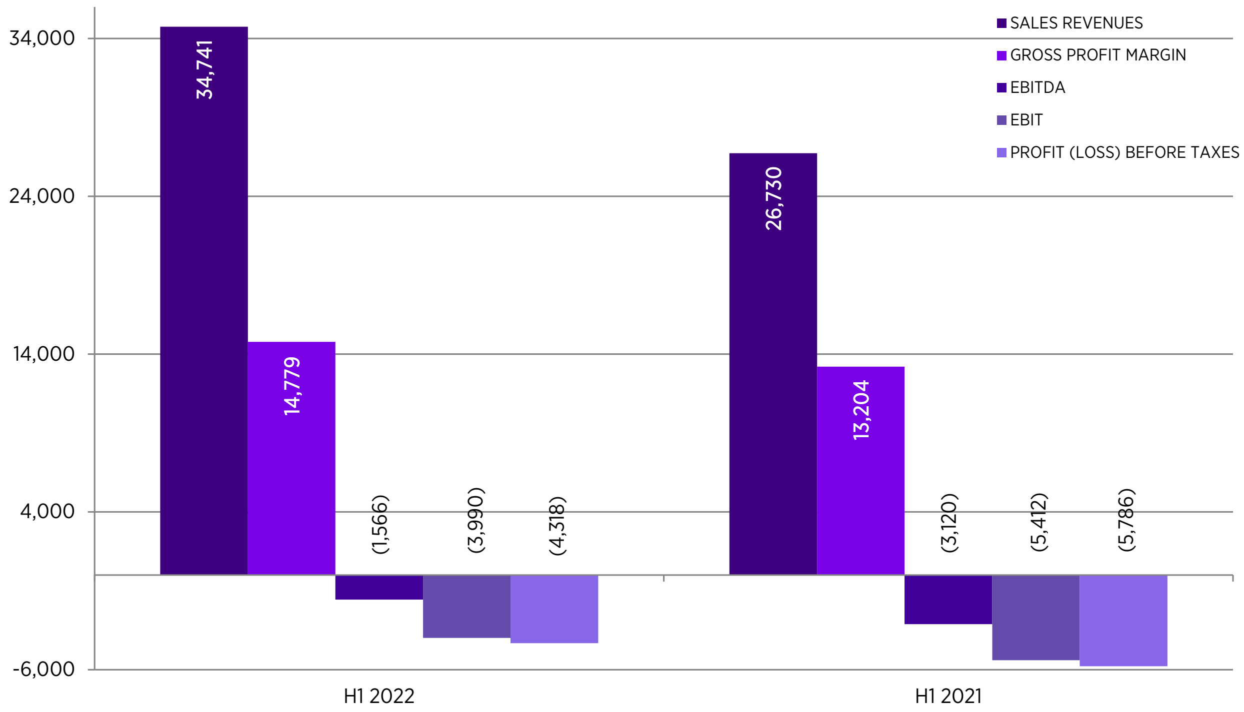
Number of employees

	at June 30, 2022	at December 31, 2021	at June 30, 2021
EMPLOYEES	316	324	331

Revenues of the "Moduls and Platform" line by geographic business area

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	H1 2022	H1 2021	% YoY Change	H1 2022	H1 2021	% YoY Change	H1 2022	H1 2021	% YoY Change	H1 2022	H1 2021	% YoY Change	H1 2022	H1 2021	% YoY Change
Third party Sales	15,666	11,801		7,061	6,717		12,014	8,212		0	0		34,741	26,730	
Infra-sector Sales	794	284		2,948	2,318		22	21		(3,764)	(2,623)		0	0	
Total Sales revenues	16,460	12,085	36.2%	10,009	9,035	10.8%	12,036	8,233	46.2%	(3,764)	(2,623)	-43.5%	34,741	26,730	30.0%

Summary of the results



The Eurotech Group

Eurotech is a global company with a strong international focus, which generates sales on three continents. It is a Group that has operating offices in Europe, North America and Japan, led and coordinated by its headquarters in Italy.

Eurotech has a long tradition of 30 years in the design and implementation of embedded computers for special applications, where the ability of computers to withstand hostile environments and the need for continuous and uninterrupted operations are determinant variables. This is a market niche characterised by high value and low volumes that over the years has allowed the company to maintain a gross profit above the sector average.
Over 10 years ago, with a visionary intuition, Eurotech understood that the technological paradigm was changing and it pioneered an evolutionary path towards Edge Computing and Industrial IoT, with significant investments in software integrated with hardware, focusing on the open-source approach.
Today, the result of that vision and those investments is a technological positioning among the leaders in the reference market, confirmed both by the awards received and by the mentions in the reports of sector analysts,

including Gartner's prestigious Magic Quadrant for Industrial IoT Platforms, where in 2021 we were present for the third year in a row.
The factors that characterise Eurotech in the Industrial IoT sector are the following:

– Eurotech technology resolves the conflict between Operational Technology (OT) and Information Technology (IT) at the Edge, thanks to integrated solutions that combine hardware and software; this conflict is unanimously recognised as the number one obstacle to the execution of IoT projects by companies;
– leveraging its DNA and knowledge of the protocols on the OT side, Eurotech has implemented a Plug & Play connectivity to field assets, which speeds up implementation times and reduces costs;
– thanks to relations with the big players in the IT sector such as Microsoft, Amazon and Red Hat, Eurotech is able to provide certified connectivity to all major cloud platforms, reducing integration time and risks to almost zero in a typical IoT project where these platforms are used;
– Eurotech’s connection and integration technology was conceived and implemented by adopting the best Cybersecurity solutions and is certified according to the most recent international standards.

Today, the Group’s offering is modular, featuring different levels of hardware and software integration and it is structured as follows:

– embedded PCs in the form of boards and subsystems, which represent Eurotech’s historical offering and are purely hardware products with only the integrated operating system;
– Edge gateways, i.e. devices that enable communication between assets operating in the field and data platforms in the cloud, both public and private;
– Edge servers, i.e. computing units similar to the units that make up the data centres but rugged because they are located in the field, close to the assets and dedicated to local processing of the data they generate;
– Edge AI, i.e. high-performance computing systems equipped with GPU accelerators to process AI algorithms directly in the field, eliminating unnecessary and costly data transfers to centralised servers;
– software for the integration of Operational Technology and Information Technology: the “Everyware Software Framework” (ESF) edge framework on the OT side and the "Everyware Cloud" (EC) integration platform on the IT side.

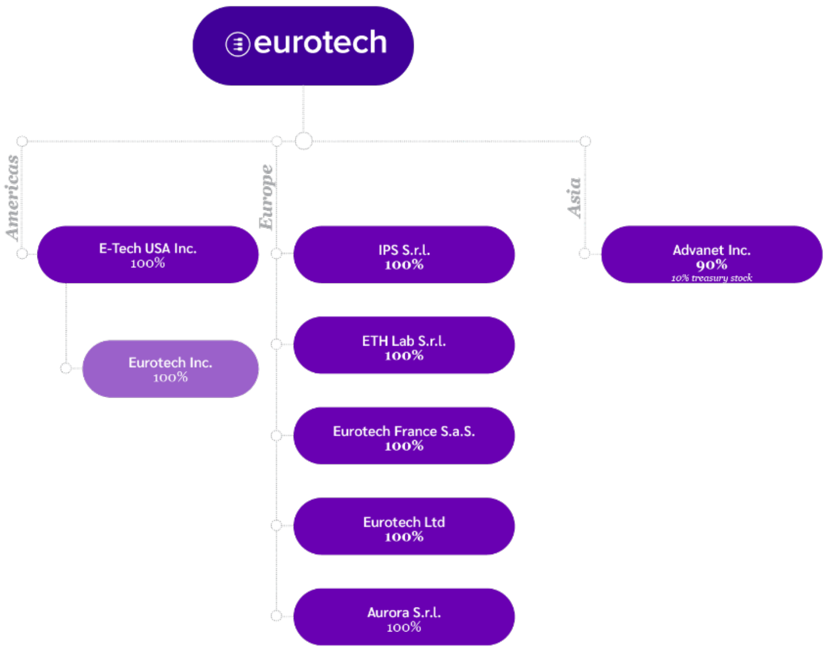
The sectors in which the Group has historically developed most of its turnover are industry and transport, followed by the medical sector. More recently, the new offer of integrated hardware and software for industrial IoT applications has also made it possible to enter new sectors, such as energy. From a strategic point of view, the Group’s current choice is to focus on five vertical markets combining larger size and higher growth rates in the next five years: industrial automation, transport & offroad, medical, renewable energies & networks for energy-gas-water, 5G telecommunications.

At 30 June 2022, the Eurotech Group consisted of the following companies:

Company name	Business activity	Share capital	Group share
Parent company			
Eurotech S.p.A.	Operates in the “Moduls and Platform“ segment focusing on the Edge Computer and “IoT" technology market, predominantly in the Italian and EMEA markets. In terms of organisation, it performs the role of industrial holding coordinating all subsidiaries of the Eurotech Group.	€8,878,946	

Subsidiaries and companies consolidated on a line-by-line basis			
Aurora S.r.l.	Service company supporting the Parent Company	€10,000	100.00%
E-Tech USA Inc.	Holding company that controls 100% of Eurotech Inc.	USD 8,000,000	100.00%
EthLab S.r.l.	Company that provides services and performs research and development on behalf of the Group	€115,000	100.00%
Eurotech France S.A.S.	Operates in the French market, focusing on the IoT market in particular	€795,522	100.00%
Eurotech Inc.	Operates in the US market with a focus on the industrial, medical and transport sectors	USD 26,500,000	100.00%
Eurotech Ltd.	Operates mainly in the United Kingdom and in Northern Europe	GBP 33,333	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Operates in the Italian market under the IPS brand	€51,480	100.00%
Advanet Inc.	Operates in the Japanese market with a focus on the industrial, medical and transport sectors	JPY 72,440,000	90.00% (1)

(1) For purposes of consolidation, it is considered as 100% owned, since the company holds the remaining 10% in the form of treasury shares.



Operating performance

(€'000) OPERATING RESULTS		H1 2022	%	H1 2021	%	% change
SALES REVENUES		34.741	100,0%	26.730	100,0%	30,0%
GROSS PROFIT MARGIN	(*)	14.779	42,5%	13.204	49,4%	11,9%
EBITDA ADJ	(****)	(1.566)	-4,5%	(1.705)	-6,4%	-8,2%
Non recurring costs		0	0,0%	(1.415)	-5,3%	100,0%
EBITDA	(**)	(1.566)	-4,5%	(3.120)	-11,7%	49,8%
EBIT	(***)	(3.990)	-11,5%	(5.412)	-20,2%	26,3%
PROFIT (LOSS) BEFORE TAXES		(4.318)	-12,4%	(5.786)	-21,6%	25,4%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		(4.263)	-12,3%	(5.761)	-21,6%	26,0%

(*) **Gross profit margin** is the difference between revenues from sales of goods and services and use of raw materials.

(**) **EBITDA**, an intermediate figure, is earnings before amortisation, depreciation and impairment of non-current assets, financial income and expenses, the valuations of affiliates at equity and of income taxes for the period. This is a measure used by the Group to monitor and assess operating performance. Since the composition of EBITDA is not regulated by the reference accounting standards, the calculation criterion applied by the Group may not be consistent with that used by other companies and would therefore not be comparable.

(***) Operating profit (**EBIT**) is gross of investments in associates according to the equity method, of financial income and charges, and income tax for the period.

(***) **ADJ. EBITDA** is an intermediate figure, determined gross of non-recurring costs and revenues, before amortisation, depreciation and impairment of non-current assets, financial income and expenses, valuations of affiliates at equity and income taxes for the period. This is a measure used by the Group to monitor and assess its operating performance, net of any non-recurring costs or revenues that therefore do not occur frequently in the ordinary course of business. Since the composition of EBITDA is not regulated by the reference accounting standards, the calculation criterion applied by the Group may not be consistent with that used by other companies and would therefore not be comparable.

Turnover for the second quarter of 2022 continued to grow compared to the same period of the previous year, bringing the growth for the first half of 2022, compared to the corresponding period of 2021, to 30.0%. Turnover in the first six months of 2022 amounted to €34.74 million compared to €26.73 million in the first half of 2021. The increase at constant exchange rates would have been of 25.3%.
The traditional embedded business remains the driving sector, but the turnover of IoT projects continues with an upward trend in line with what was already shown in 2021.
Given the orders on hand, the first half of the year could have been higher in terms of sales, but difficulties in sourcing electronic components led to a shift in some of the scheduled deliveries: at the end of the half-year, there were undelivered scheduled orders of about €4 million.
By virtue of the historically typical trend, the second half of the year should prove to be stronger and the fourth quarter the most relevant.
The continued activities of the internal task force to find critical components will be essential in the coming months in determining the year-end result.

Looking at the **breakdown of revenues** by geographic area of the Group's activities, US remains the most significant area and contributes 45.1% of the total figure (H1 2021: 44.1%); the Japanese area remains in second place with 34.6% (H1 2021: 30.7%); finally, the European area accounts for the remaining 20.3% (H1 2021: 25.1%).

The **Gross profit margin** for the period amounted to €14.78 million, with an incidence on turnover of 42.5%. In percentage terms, this compares with 46.7% in the twelve months of 2021 and 49.4% in the first half of 2021.
The reduction in profit margin is the combined effect of two elements: higher costs incurred to purchase certain low-availability components in order to be able to deliver products to customers, and a different mix of products sold. The higher procurement costs (PPV) incurred in order to meet the deadlines agreed with the customer, as far as possible, were not always fully passed on to customers in the reporting period. On the other hand, as regards the product mix, the Japanese area in particular recorded a significant temporary deviation from the historical trend, also due to the indirect effects of the shortage on the mix of products actually delivered as high-end products were most affected by problems of component availability.
The impact of the higher costs incurred for the procurement of components in a situation of scarcity was 2.4 percentage points.
The impacts of the component shortage (both in terms of increased costs and in terms of lost volume) prevented a sufficient first margin level to have a break-even half-year at the EBITDA level.
However, it should be noted that the second quarter showed an increased first margin compared to the first quarter of the year, thanks to the corrective actions implemented: 44.2% vs. 40.9%.
The indicators that management is monitoring suggest that the upward trend on the first margin will continue in the next two quarters of the year.

Operating costs after adjustments and net of non-recurring costs (recognised only in 2021), in the first six months of the year, amounted to €17.90 million, compared to €16.74 million in the first half of 2021.
At historical exchange rates, there is an increase in costs of 7.4%, which would be 5.9% at constant exchange rates.
The increase in operating costs is in line with the plan to strengthen the go-to-market, particularly in the US, and the Research & Development, and contains one-off items for recruiting costs of approximately €0,5 million.
In order to align the organisation with the strategy and to support growth and continuous technological improvement in Edge computing and industrial IoT, specific activities were carried out to recruit both new people with the necessary expertise, and to reorganise the operational structure and rationalise it where possible. The number of employees at 30 June 2022 was 316 (it was 324 at 31 December 2021 and 331 at 30 June 2021), with an average for the period of 320 units (327 in the first half of 2021). Personnel expenses rose from €10.15 million (€10.30 million at constant exchange rates) to €10.43 million with an actual growth of 1.2%, mainly related to the different cost of new personnel, who belong to the professional profiles most in demand on the market today.
Gross operating expenses, but net of non-recurring costs, as a percentage of revenue were 51.8%, compared to 62.6% in the first half of 2021 (even higher at 67.9% if non-recurring costs in the first half of 2021 are taken into account).

Non-recurring costs, presented in the income statement in the first half of 2021 alone, amounted to €1.42 million and mainly referred to the economic agreement resulting from the termination of the relationship between Eurotech S.p.A. and the previous CEO defined on 23 March 2021, which was fully described in a separate communication after the event. In addition to these costs, some reorganisation costs and some costs related to the entry of the new Chief Executive Officer were recorded. Therefore, also considering these non-recurring costs, the operating costs of the 2021 half year amounted to €18.16 million.

The half-year **margins** were significantly related to the level of turnover and the value of the first margin, which were not sufficient for the activation of operating leverage.

EBITDA, in the first half of 2022, amounted to € -1.57 million (-4.5% of revenue), compared to € -3.12 million in 2021 (-11.7% of revenue). Net of non-recurring costs, **adjusted EBITDA** for the first six months of 2021 was € -1.70 million, whereas in 2022, as there are no non-recurring costs and revenues, there is no difference between EBITDA and adjusted EBITDA.

EBIT in the first six months, i.e. the operating result, was €-3.99 million (-11.5% of revenues) compared to €-5.41 million in the first six months of 2021 (-20.2% of revenues). In addition to the above, this performance reflects also the depreciation and amortisation recognised in the income statement in the first six months of 2022, deriving from operating assets becoming subject to depreciation and amortisation in that same period. The operating result net of non-recurring costs (**adjusted EBIT**) in the first half of 2021 amounted to €-4.00 million (-14.9% of revenue).

The recognition of intangible assets amortisation and the depreciation of property, plant and equipment had a €2.42 million impact compared to €2.29 million in the same period of 2021.

Financial management in the first six months of 2022 showed a negative result of €0.33 million, a slight improvement over the negative value of €0.37 million in the first six months of 2021. The value for 2022 was affected by the different currency trend, which resulted in a negative net exchange rate effect of €0.15 million in line with the net amount of €0.12 million in 2021. Financial management relative to interest had an impact of €0.12 million, which is lower than in the first half of 2021 (€188 thousand).

Pre-tax loss was €4.32 million compared to a still negative result of €5.79 million in the first six months of 2021. The improved pre-tax result is directly related to the trend in turnover and first margin.

Estimated taxes, calculated based on the rates established for the year by governing regulations and - limited to and in only two Cash-Generating Units (CGUs) - considering the tax benefit that would result from the recognition of deferred tax assets deriving from tax losses generated in the period, was a positive €0,06 million. No deferred tax assets were recognised on the period results of the Italian, English and French companies.

The **net result** for the Group was €-4.26 million (it was negative €5.76 million in the first six months of 2021) and its ratio to revenue was -12.3%.

As indicated in the explanatory notes to the annual consolidated financial statements, the Group oversees a single line of business known as "Modules and Platforms", which comprises a) embedded computing modules and systems for industrial, transport, medical, energy and communication uses; b) Edge computers featuring low power consumption and high performances, to be used both in Internet of Things (IoT) solutions and to create applications where Artificial Intelligence (AI) algorithms are used; c) software frameworks and platforms for IoT applications.
The segment reporting is presented based on the geographic area in which the various Group companies operate and are currently monitored. This is defined by the location of goods and operations carried out by individual Group companies. The geographic areas identified within the Group are: North America, Europe and Asia.

Changes in revenues and margins by individual geographic area and the relative changes in the periods under review are set out below.

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	H1 2022	H1 2021	% YoY Change	H1 2022	H1 2021	% YoY Change	H1 2022	H1 2021	% YoY Change	H1 2022	H1 2021	% YoY Change	H1 2022	H1 2021	% YoY Change
Third party Sales	15,666	11,801		7,061	6,717		12,014	8,212		0	0		34,741	26,730	
Infra-sector Sales	794	284		2,948	2,318		22	21		(3,764)	(2,623)		0	0	
Total Sales revenues	16,460	12,085	36.2%	10,009	9,035	10.8%	12,036	8,233	46.2%	(3,764)	(2,623)	-43.5%	34,741	26,730	30.0%
Gross profit	5,953	4,673	27.4%	3,715	3,710	0.1%	5,148	4,825	6.7%	(37)	(4)	825.0%	14,779	13,204	11.9%
Gross profit margin - %	36.2%	38.7%		37.1%	41.1%		42.8%	58.6%					42.5%	49.4%	
EBITDA													(1,566)	(3,120)	-49.8%
EBITDA margin - %													-4.5%	-11.7%	
EBIT													(3,990)	(5,412)	-26.3%
EBIT margin - %													-11.5%	-20.2%	

North American revenues amounted to €16.46 million in the first half of 2022 and €12.08 million in the first half of 2021, increased by 36.2% including inter-segment revenues. The existing order book is capable of sustaining the growth trend also in the second half of the year, if the procurement of critical components that are not yet available allows us to confirm the planned shipments in the fourth quarter of the year. As was the case last year,

revenues for the period in the American region are affected by a high concentration of turnover on a small number of long-standing customers with consolidated business.
The European business area saw a 10.8% increase in turnover for the half-year, from €9.03 million in the first half of 2021 to €10.01 million in the first half of 2022. In this area, growth (net of intra-industry sales) is the effect of opportunities developed in Edge computing and related to the Industry 4.0 paradigm.
The Asia business area managed to re-establish the delivery schedule back to the 2020 levels and showed a growth of 46.2% from €8.23 million to €12.04 million. The outlook for the second half of the year remains decidedly positive, confirming the continued interest of important customers in the new technologies that the Japanese company of the Group is able to offer its local customers.

The **breakdown of revenues by type**, which also in application of IFRS 15 represents the disclosure of disaggregated revenues, is as follows:

(€' 000) SALES BY TYPE	H1 2022	%	H1 2021	%	% change
Industrial revenues	29,236	84.2%	22,521	84.3%	29.8%
Services revenues	5,505	15.8%	4,209	15.7%	30.8%
TOTALE SALES AND SERVICE REVENUES	**34,741**	**100.0%**	**26,730**	**100.0%**	**30.0%**

The significant growth in revenues from services, up by 30.8% year-on-year, was due to tthe steady growth of recurring revenues from software, the growth of professional services provided in the early stages of new IoT projects, and increased engineering services for some embedded projects.
The **regional breakdown of revenues** by customer location is shown below:

(€' 000) BREAKDOWN BY GEOGRAPHIC AREA	H1 2022	%	H1 2021	%	% change
European Union	5,462	15.7%	5,172	19.3%	5.6%
United States	15,168	43.7%	10,915	40.8%	39.0%
Japan	11,915	34.3%	8,193	30.7%	45.4%
Other	2,196	6.3%	2,450	9.2%	-10.4%
TOTAL SALES AND SERVICE REVENUES	**34,741**	**100.0%**	**26,730**	**100.0%**	**30.0%**

Based on the breakdown of revenues by geographic area of the customer, it should be noted that turnover in the US territory increased by 39.0%, continuing to be the predominant area, accounting for 43.7% of total turnover in first half of 2022.
The Japan area showed an even greater increase to 45.4%. As previously noted at the end of the year, this area continues to be the Group's second most important area, accounting for 34,3% of revenues.
In the European area, again with reference to customer location, the level of turnover in the first six months of 2022 is limited to an increase of 5.6%. The EU accounted for 15,7% of total turnover.
On the other hand, the remaining geographic areas decreased (-10.4%) and accounted for 6.3% of the total turnover in H1 2022.

Statement of financial position

Non-current assets

(€'000)	at June 30, 2022	at December 31, 2021	Changes
Intangible assets	85,741	88,043	(2,302)
Property, Plant and equipment	4,440	5,229	(789)
Investments in other companies	552	542	10
Deferred tax assets	6,739	6,504	235
Medium/long term borrowing allowed to affiliates companies and other Group companies	68	62	6
Other non-current assets	682	620	62
Total non-current assets	**98,222**	**101,000**	**(2,778)**

The "Non-current assets" item shown in the table above increased from €101.00 million in the financial year 2021 to €98.22 million in the first half of 2022. The change mainly reflects changes in intangible assets and property, plant and equipment arising from the different conversion ratio for financial statements in foreign currency, as well as the investments made.

The Group's main investments break down as follows:

(€'000)	at June 30, 2022	at December 31, 2021	Changes
Intangible assets	1,437	3,673	(2,236)
Property, plant and equipment	244	1,173	(929)
Investments	-	-	-
TOTAL MAIN INVESTMENTS	**1,681**	**4,846**	**(3,165)**

Current assets

(€'000)	at June 30, 2022	at December 31, 2021	Changes
Inventories	23,618	17,646	5,972
Trade receivables	10,881	11,280	(399)
Income tax receivables	624	801	(177)
Other current assets	2,363	2,130	233
Other current financial assets	139	123	16
Derivative instruments	121	4	117
Cash & cash equivalents	21,278	31,704	(10,426)
Total current assets	**59,024**	**63,688**	**(4,664)**

Current assets decreased compared to 31 December 2021: from €63.69 million at 31 December 2021 to €59.02 million in the first half of 2022.

The most significant items that changed were inventories and cash and cash equivalents.
The increase in inventories is the result of the contingent situation of component shortages and the Group's related policy of procuring some of the components needed for production in advance or making advance payments in order to have access to their supply.
The reduction in liquidity is mainly attributable to the operating performance, the increase in working capital and the repayment of loan instalments.

Net working capital

Net working capital, underwent the following changes in the reporting period:

(€'000)	**at June 30, 2022 (b)**	**at December 31, 2021 (a)**	**at June 30, 2021**	**Changes (b-a)**
Inventories	23,618	17,646	18,893	5,972
Trade receivables	10,881	11,280	8,974	(399)
Income tax receivables	624	801	1,166	(177)
Other current assets	2,363	2,130	2,434	233
Current assets	**37,486**	**31,857**	**31,467**	**5,629**
Trade payables	(17,165)	(13,005)	(10,157)	(4,160)
Income tax liabilities	(375)	(215)	(275)	(160)
Other current liabilities	(6,537)	(8,193)	(8,443)	1,656
Current liabilities	**(24,077)**	**(21,413)**	**(18,875)**	**(2,664)**
Net working capital	**13,409**	**10,444**	**12,592**	**2,965**

Management's actions to counteract the effects of the component shortage on the first margin and to create the conditions for the continuation of the double-digit growth in sales led to a temporary increase in inventories on the one hand, and in payables to suppliers related to component deliveries on the other, with an inevitable effect on net working capital, which increased by Euro 2.96 million compared to 31 December 2021.
Net working capital as a ratio of turnover in the last trailing twelve months was 18.8%, compared to 16.5% at 31 December 2021 and 21.1% at 30 June 2021. The 12-month figure remains in line with the 20% threshold value expected by management.

Net financial position

The following table shows the composition of the net financial position at the end of each period indicated, represented as defined by Consob notice no. 5/21 of 29 April 2021, which refers to the Guidelines of the European Securities and Markets Authority (ESMA), issued on 15 July 2020 and effective from 5 May 2021.

(€'000)		at June 30, 2022	at December 31, 2021	at June 30, 2021
Cash	A	(21,278)	(31,704)	(34,244)
Cash equivalents	B	-	-	-
Other current financial assets	C	(260)	(123)	(125)
Cash equivalent	**D=A+B+C**	**(21,538)**	**(31,827)**	**(34,369)**
Current financial debt	E	226	99	273
Current portion of non-current financial debt	F	8,331	8,045	8,324
Short-term financial position	**G=E+F**	**8,557**	**8,144**	**8,597**
Short-term net financial position	**H=G+D**	**(12,981)**	**(23,683)**	**(25,772)**
Non current financial debt	I	12,778	17,535	20,017
Debt instrument	J	-	-	-
Trade payables and other non-current payables	K	-	-	-
Medium-/long-term net financial position	**L=I+J+K**	**12,778**	**17,535**	**20,017**
(NET FINANCIAL POSITION) NET DEBT ESMA	**M=H+L**	**(203)**	**(6,148)**	**(5,755)**
Medium/long term borrowing allowed to affiliates companies and other Group companies	N	(68)	(62)	(59)
(NET FINANCIAL POSITION) NET DEBT	**O=M+N**	**(271)**	**(6,210)**	**(5,814)**

The consolidated net financial position at 30 June 2022 amounted to a net cash of €0.27 million compared to a net cash position of €6.21 million at 31 December 2021.
With reference to liquidity, which amounted to €21.28 million, in the period under review, as shown in the cash flow statement, operating cash was used in the amount of €5.4 million mainly to support working capital, while €1.3 million was used for investments and €4.2 million for repayment of loans.

Cash flows

(€'000)		at June 30, 2022	at December 31, 2021	at June 30, 2021
Cash flow generated (used) in operations	A	(5,379)	3,279	756
Cash flow generated (used) in investment activities	B	(1,316)	(5,274)	(3,269)
Cash flow generated (absorbed) by financial assets	C	(4,165)	(8,059)	(4,674)
Net foreign exchange difference	D	434	536	209
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(10,426)	(9,518)	(6,978)
Opening amount in cash & cash equivalents		**31,704**	**41,222**	**41,222**
Cash & cash equivalents at end of period		**21,278**	**31,704**	**34,244**

Investments and research and development

At 30 June 2022, technical investments (property, plant and equipment) in buildings, plants, equipment and instruments amounted to €45 thousand, while investments in other assets amounted to €121 thousand and those related to "right of use" amounted to €72 thousand. In addition, in the six-month period, the Group has bought production-related software licences for €32 thousand.
During the period, the Group invested in industrial research and development and technological innovation for new products. Research resulted in the development of new products/applications in the field of highly integrated, low-consumption embedded computers and systems, IoT framework and integration platform, edge computers, intelligent sensors and embedded supercomputers. Moreover, technological innovation enabled the Company to achieve improvements in product quality in order to reduce production costs, with a resulting increase in business competitiveness. In the period, development costs for new products were capitalised for an amount of €1.40 million (€1.79 million in the first half of 2021).

Competitive scenario, outlook and future growth strategy

The existing order book at the end of the first half of 2022 makes it possible to assume an upward trend also in the second half of the year. There is still a shortage of electronic components, which will last at least until the end of the financial year and can be expected, according to some chip manufacturers, to continue into 2023. The internal task force set up ad-hoc is constantly monitoring the evolving scenario that is having an impact on the supply chain of our customers and suppliers.

More generally, the strategic direction for the Group's growth is based on the following points:

- focusing on markets that combine a larger size and a higher growth rate (CAGR) over the next 5 years;
- addressing applications in difficult environments or with high reliability requirements, which require more rugged solutions;
- focusing on vertical markets and sectors in which IT-OT integration is most valued;
- creating growth both organically and through external lines;
- leveraging both global and local accelerating factors and forces of change:
    - Repatriation
    - 5G
    - New & smart energy
    - Automation
    - Recovery Plans

Treasury shares of the Parent Company owned by the Parent Company or subsidiaries

The Parent Company Eurotech S.p.A. held 89,920 treasury shares at the end of the reporting period. During the first half of 2022, no treasury shares of the Parent Company were purchased or sold on the market, nor were any shares assigned to employees under the existing performance plan.

Disclosure on sovereign exposure

Pursuant to Consob Communication no. DEM/11070007 of 5 August 2011 (a continuation of ESMA document 2011/266 of 28 July 2011) relating to disclosure in financial reports of the exposure of listed companies to sovereign debt, note that the Group does not hold sovereign debt securities.

Regulatory simplification process based on Consob resolution no. 18079/2012

Pursuant to Article 3 of CONSOB Resolution no. 18079 of 20 January 2012, Eurotech adopted the simplification (opt-out regime) procedure set out in Articles 70, paragraph 8, and 71, paragraph 1-bis, of the Regulation adopted by CONSOB with Resolution no. 11971 of 14 May 1999 as amended and supplemented. Therefore, it opts to derogate from the requirement to publish the information documents set out in Attachment 3B of this CONSOB Regulation for significant transactions such as mergers, spin-offs, capital increases via contributions in kind, acquisitions and sales.

Corporate governance information

The “Report on Corporate Governance and Ownership Structure” (hereinafter “Report”) envisaged by Art. 123-bis of the Consolidated Law on Finance was prepared as an independent document, approved by the Board of Directors on 15 March 2022 and published on the Company's website at www.eurotech.com under the “Investors” section along with the financial statements.
The Report was prepared in line with the recommendations of the Corporate Governance Code of January 2020. The Report provides a general and complete overview of the corporate governance system adopted by Eurotech S.p.A. The Company’s profile and the principles to which it aspires are described. It contains information on the ownership structure and compliance with the Corporate Governance Code, including the principal governance policies applied and the main features of the internal control and risk management system. Furthermore, it includes a description of the functioning and composition of administrative and control bodies and their committees, roles, responsibilities and competencies.
The criteria for determining directors’ compensation are described in the “Remuneration Report”, drafted in compliance with the requirements envisaged by Art. 123-ter of the Consolidated Law on Finance and Art. 84-quater of the Consob Issuers’ Regulation and published under the "Investors/Shareholder' Meeting" section of the Company's website.

Unusual and/or atypical transactions

Based on the information received from Group companies, no unusual or atypical transactions took place as defined by Consob in its communication no. 6064293 of 28 July 2006.

Other information

Implications of the Covid-19 pandemic on the consolidated half-year financial statements as at 30 June 2022

All Eurotech Group companies continue to constantly monitor the development of the Covid-19 pandemic at their sites, to take the necessary hygiene precautions and measures to preserve the health of employees and to manage the biological risk in the workplace, also in accordance with local regulations. Consequently, measures to prevent and control the pandemic are taken promptly by continuing with the use of remote work, for those

roles and activities for which it is materially possible, but ensuring business continuity across all geographical areas.
It should be noted that during the first half of 2022, all of the Group's factories carried out normal operations and, consequently, no noteworthy economic effects on future business development are expected if conditions gradually improve or remain as they are today.

Russia-Ukraine Conflict

Due to the outbreak of the conflict in Ukraine, the Eurotech Group is closely monitoring developments and possible risks that may arise from it.
The Eurotech Group had no significant direct impact as sales of products and services in the areas affected by the conflict were insignificant in the past and there are no credit exposures to customers in those geographic areas.
With reference to the indirect effects resulting from the conflict, these are difficult to quantify, but can be summarised in the effects resulting from interruptions in the supply of raw materials and components and the effects associated with the increase in the price of raw materials and energy that affected the rise in production prices by some subcontractors.
In the context of the humanitarian emergency following the conflict, Eurotech took concrete action to support the Ukrainian population. A solidarity collection of food and medical goods was activated at Eurotech's Italian headquarters, which were then delivered directly on site to humanitarian associations assisting refugees.

Events after the reporting period

No significant events took place after the reporting date and up to 6 September 2022.

Condensed consolidated half-year financial statements at 30 June 2022

Consolidated statement of financial position

(€'000)	Notes	at June 30, 2022	*of which related parties*	at December 31, 2021	*of which related parties*
ASSETS					
Intangible assets	1	85,741		88,043	
Property, Plant and equipment	2	4,440		5,229	
Investments in other companies	3	552		542	
Deferred tax assets	26	6,739		6,504	
Medium/long term borrowing allowed to affiliates companies and other Group companies		68	68	62	62
Other non-current assets		682		620	
Total non-current assets		**98,222**		**101,000**	
Inventories	4	23,618		17,646	
Trade receivables	5	10,881	2	11,280	1
Income tax receivables	6	624		801	
Other current assets	7	2,363		2,130	
Other current financial assets	8	139	3	123	2
Derivative instruments	30	121		4	
Cash & cash equivalents	9	21,278		31,704	
Total current assets		**59,024**		**63,688**	
Non-current assets classified as held for sale	**2**	**-**		**365**	
Total assets		**157,246**		**165,053**	
LIABILITIES AND EQUITY					
Share capital		8,879		8,879	
Share premium reserve		136,400		136,400	
Other reserves		(40,039)		(34,843)	
Group shareholders' equity	**11**	**105,240**		**110,436**	
Equity attributable to minority interest	**11**	**-**		**-**	
Total shareholders' equity	**11**	**105,240**		**110,436**	
Medium-/long-term borrowing	13	12,778		17,535	
Employee benefit obligations	14	2,684		2,844	
Deferred tax liabilities	26	2,991		3,200	
Other non-current liabilities	15	919		1,477	
Total non-current liabilities		**19,372**		**25,056**	
Trade payables	16	17,165	303	13,005	487
Short-term borrowing	13	8,557		8,137	
Derivative instruments	30	-		11	
Income tax liabilities	6	375		215	
Other current liabilities	17	6,537		8,193	
Total current liabilities		**32,634**		**29,561**	
Total liabilities		**52,006**		**54,617**	
Total liabilities and equity		**157,246**		**165,053**	

Consolidated income statement

(Migliaia di Euro)	Notes	H1 2022	of which related parties	H1 2021	of which non recurrent	of which related parties
CONTINUING OPERATIONS						
Revenues from sales of products and services	D	34,741	4	26,730		7
Other revenues	23	144		30		
Cost of materials	18	(19,962)	(300)	(13,526)		-
Service costs	20	(6,726)		(7,185)	(1,213)	(516)
Lease & hire costs		(370)		(209)		
Payroll costs	21	(10,428)		(10,154)		
Other provisions and other costs		(378)		(610)	(202)	
Cost adjustments for in-house generation of non-current assets	22	1,413		1,804		
Depreciation & amortisation	24	(2,424)		(2,292)		
Operating profit		**(3,990)**		**(5,412)**	**(1,415)**	
Finance expense	25	(1,289)		(805)		
Finance income	25	961	1	431		1
Profit before taxes		**(4,318)**		**(5,786)**		
Income tax	26	55		25		
Net profit (loss)		**(4,263)**		**(5,761)**		
Minority interest		**-**		**-**		
Group net profit (loss) for period		**(4,263)**		**(5,761)**		
Base earnings (losses) per share	**12**	**(0.120)**		**(0.163)**		
Diluted earnings (losses) per share	**12**	**(0.120)**		**(0.163)**		

Consolidated statement of comprehensive income

(€'000)	Notes	H1 2022	H1 2021
Net profit (loss) before minority inerest (A)		**(4,263)**	**(5,761)**
Other elements of the statement of comprehensive income			
Other comprehensive income to be reclassified to profit or loss insubsequent periods:			
Net profit/(loss) from Cash Flow Hedge	27/30	127	34
Tax effect		-	-
		127	34
Foreign balance sheets conversion difference	27	(4,278)	(1,889)
Exchange differences on equity investments in foreign companies	11/27	3,042	1,258
Tax effect		-	-
		-	1,258
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)		***(1,109)***	***(597)***
Comprehensive net result (A+B+C)		**(5,372)**	**(6,358)**
Comprehensive minority interest		**-**	**-**
Comprehensive Group net profit (loss) for period		**(5,372)**	**(6,358)**

Consolidated statement of changes in equity

(€'000)	Notes	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 June 30, 2021		-	-	-	-	-	-	-	-	-	(5,761)	(5,761)	-	(5,761)
Comprehensive other profit (loss):														
- Hedge transactions	30	-	-	-	-		34	-	-	-	-	34	-	34
- Actuarial gains/(losses) on defined benefit plans for employees		-	-	-	-	-	-	-	-	-	-	-	-	-
- 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	31	-	-	-	-	(436)	-	-	-	471	-	35	-	35
Balance as at June 30, 2021		**8,879**	**1,776**	**136,400**	**9,568**	**(39,878)**	**(47)**	**(640)**	**2,455**	**(211)**	**(5,761)**	**112,541**	**-**	**112,541**

(€'000)	Notes	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, 2021		**8,879**	**1,776**	**136,400**	**10,284**	**(39,731)**	**(6)**	**(621)**	**4,074**	**(211)**	**(10,408)**	**110,436**	**-**	**110,436**
2021 Result allocation		-	-	-	-	(10,408)	-	-	-	-	10,408	-	-	-
Profit (loss) as at June 30, 2022		-	-	-	-	-	-	-	-	-	(4,263)	(4,263)	-	(4,263)
Comprehensive other profit (loss):														
- Hedge transactions	30	-	-	-	-		127	-	-	-	-	127	-	127
- Actuarial gains/(losses) on defined benefit plans for employees		-	-	-	-	-	-	-	-	-	-	-	-	-
- Foreign balance sheets conversion difference		-	-	-	(4,278)	-			-	-	-	(4,278)	-	(4,278)
- Exchange differences on equity investments in foreign companies		-	-	-	-	-	-	-	3,042	-	-	3,042	-	3,042
Total Comprehensive result		**-**	**-**	**-**	**(4,278)**	**-**	**127**	**-**	**3,042**	**-**	**(4,263)**	**(5,372)**	**-**	**(5,372)**
- Performance Share Plan	31	-	-	-	-	176	-	-	-	-	-	176	-	176
Balance as at June 30, 2022		**8,879**	**1,776**	**136,400**	**6,006**	**(49,963)**	**121**	**(621)**	**7,116**	**(211)**	**(4,263)**	**105,240**	**-**	**105,240**

Consolidated cash flow statement

CONSOLIDATED STATEMENT OF CASH FLOWS (€'000)	Notes	at June 30, 2022	of which related parties	at June 30, 2021	of which related parties
CASH FLOWS GENERATED BY OPERATIONS:					
Group net profit (loss) for period		**(4,263)**		**(5,761)**	
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:					
Depreciation & amortization intangible assets, property, plant and equipment	24	2,424		2,292	
Write-down of receivables	5	6		10	
Interest income	25	(1)		(1)	
Interest expenses	25	190		257	
Income taxes (paid) get		(2)		(348)	
Income taxes of the period	26	(55)		(25)	
Stock Grant expenses	31	176		35	
Provision for (use of) cumulative inventory write-down	4	(196)		1	
Provision for (use of) long-term employee severance indemnities	14	(160)		(46)	
Provision for (use of) risk provision	15	(558)		(227)	
Changes in current assets and liabilities					
Trade receivables	5	156	(2)	7,451	(8)
Other current assets	7	(80)		(1,028)	
Inventories and contracts in process	4	(5,692)		(1,519)	
Trade payables	16	4,255	(184)	(430)	121
Other current liabilities	17	(1,579)		95	
Total adjustments and changes		**(1,116)**		**6,517**	
Cash flow generated (used) in operations		**(5,379)**		**756**	
CASH FLOW FROM INVESTMENT ACTIVITIES:					
Sales of tangible and intangible assets	1/2	15		-	
Interest income	25	1		1	
Purchase of intangible fixed assets	1	(1,437)		(1,972)	
Purchase of tangible fixed assets	2	(172)		(1,341)	
Decreases (Increases) other financial assets	8	(16)		-	
Net investments in long-term investments and non-current assets		(72)		43	
Cash flow generated (used) by non-current assets classified as held for sale	2	365		-	
Cash flow generated (used) in investment activities		**(1,316)**		**(3,269)**	
CASH FLOW FROM FINANCING ACTIVITIES:					
Loans taken	13	-		-	
(Increases) decreases of loans to other Group companies	13	-	0	-	0
Interest paid		(190)		(257)	
(Repaid) loans short and medium/long term	13	(3,975)		(4,417)	
Cash flow generated (absorbed) by financial assets		**(4,165)**		**(4,674)**	
Net foreign exchange difference		434		209	
Increases (decreases) in cash & cash equivalents		**(10,426)**		**(6,978)**	
Opening amount in cash & cash equivalents	9	**31,704**		**41,222**	
Cash & cash equivalents at end of period	9	**21,278**		**34,244**	

Explanatory notes to the financial statements

A – Corporate information

The publication of the condensed consolidated half-year financial statements of Eurotech S.p.A. for the six-month period ended 30 June 2022 was authorised by resolution of the Board of Directors on 6 September 2022. Eurotech S.p.A. is a joint stock company incorporated and domiciled in Italy. The Group has its registered office in Amaro (UD), Italy.
Eurotech is a group active in the research, development, and marketing of miniaturised computers and high-performance computers featuring high computing capacity. Moreover, within this business line it provides complete solutions or blocks of solutions and products for the Internet of Things through intelligent devices and an intelligent proprietary connectivity and communications platform. For more information, see Note D.

B – Reporting policies and IFRS compliance

The consolidated annual financial statements of Eurotech Group were prepared in accordance with IFRS accounting standards issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Art. 6 of EC Regulation 1606/2002 of the European Parliament and European Council of 19 July 2002.
These condensed consolidated half-year financial statements for the six-month period ended 30 June 2022 were prepared in accordance with the provisions of IAS 34 "Interim Financial Reporting", Art. 154-ter of the Consolidated Law on Finance and subsequent amendments, as well as the relevant Consob provisions. These condensed consolidated half-year financial statements do not contain all the information and notes required for drafting the consolidated annual financial statements and therefore this report must be read together with the consolidated annual financial statements at 31 December 2021.
To prepare the interim financial statements, management must make estimates and assumptions that affect the values of revenues, costs, assets and liabilities in the financial statements and the disclosure of potential assets and liabilities at the interim reporting date. If in the future, these estimates and assumptions, which are based on management's best valuations, differ from the actual circumstances, they would be modified appropriately in the period in which the circumstances arise. For a more detailed description of the Group's most significant valuation processes, please refer to note "C – Discretionary valuations and relevant accounting estimates" in the consolidated financial statements at 31 December 2021.
Moreover, note that certain valuation processes, in particular, more complex ones, such as calculating any impairment of non-current assets, are generally carried out fully only upon drafting of the annual financial statements, when all necessary information is available, except in cases in which there are impairment indicators that require an immediate valuation of any losses in value.
Income taxes are recognised based on the best estimate of the weighted average rate expected for the entire year.
The accounting standards, consolidation principles, and valuation criteria adopted for the preparation of the condensed consolidated half-year financial statements are consistent with those used for the preparation of the consolidated financial statements at 31 December 2021. The sole exception is for the adoption of new accounting standards, amendments and interpretations in force from 1 January 2022.

Following are the standards, amendments and interpretations that became effective as of 1 January 2022 and that were applicable for the first time to the condensed consolidated half-year financial statements at 30 June 2022. The application of these standards had no particular impact on the consolidated financial statements of the Group since they regulate matters not present, or affect only financial reporting:

Amendments to IFRS 3 Business Combinations - The purpose of the amendments is to update the reference in IFRS 3 to the Conceptual Framework in its revised version, without making any changes to the provisions of IFRS 3.

Amendments to IAS 16 Property, Plant and Equipment - The purpose of the amendments is not to allow the amount received from the sale of goods produced in the test phase of the activity to be deducted from the cost of property, plant and equipment. These sales revenues and the related costs shall therefore be recognised in the income statement.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets- The amendment clarifies that in the estimate of the possible cost of a contract, all costs directly attributable to the contract must be considered. Accordingly, the assessment as to whether a contract is onerous includes not only incremental costs (such as, for example, the cost of direct material used in the processing), but also all costs that the company cannot avoid because it has executed the contract (such as, for example, the depreciation rate of the machinery used to perform the contract).

Annual Improvements 2018-2020 - The amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

The new standards, amendments and interpretations already endorsed by the European Union but not yet mandatorily applicable and not early adopted by the Group at 30 June 2022 are briefly presented:

IAS 8 - Accounting standards, changes in accounting estimates and errors - On 12 February 2021, the IASB published the “Definition of Accounting Estimates (Amendments to IAS 8)”. The definition of change in accounting estimates is replaced by a definition of accounting estimate. Under the new definition, accounting estimates are "monetary amounts reported in the financial statements subject to valuation uncertainty" and that a change in the accounting estimate resulting from new information or new developments is not the correction of an error. The changes will take effect from 1 January 2023.

Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2 - The amendments are intended to improve the disclosure of accounting policies so as to provide more useful information to investors and other primary users of financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting policies. The changes will take effect from 1 January 2023.

The new standards, amendments and interpretations already issued but not yet endorsed by the European Union and applicable to the financial statements for years beginning after 1 January 2021 are also briefly illustrated. The principles and interpretations, which by their nature cannot be adopted by the company, are excluded from the list.

IAS 1 – Presentation of Financial Statements - On 23 January 2020, the IASB issued amendments to IAS 1 – Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. These amendments will become effective from 1 January 2023, following deferment of the date of entry into force due to the COVID-19 pandemic. On 12 February 2021, the IASB published the Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: "Disclosure of Accounting policies". The document aims to help companies decide which accounting policies to disclose in their financial statements. The changes will take effect from 1 January 2023.

IFRS 17 – Amendments to IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 – comparative information - On 9 December 2021, the IASB published an amendment to IFRS 17. The amendment is a transition option relating to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment aims at avoiding temporary accounting mismatches between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for financial statement readers.

IAS 12 - Income taxes - On 7 May 2021 the IASB published the Amendments to IAS 12 Income Taxes: “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”. The document aims to clarify the accounting of deferred taxes on particular transactions such as leases and decommissioning obligations. The changes will take effect from 1 January 2023.

The condensed consolidated half-year financial statements at 30 June 2022 are drawn up in euro, rounding amounts to the nearest thousand. They consist of the statement of financial position, the income statement, the statement of comprehensive income, the Consolidated statement of changes in Equity, the Consolidated statement of cash flows, and the following explanatory notes.

The data used for consolidation have been taken from the income statements and statements of financial position prepared by the Directors of individual subsidiaries. These figures have been appropriately amended and restated as necessary to align them with international accounting policies and with uniform Group-wide classification policies.

This document presents some alternative performance indicators to allow for better evaluation of the Group's economic and financial performance. These are as follows:

- **Gross profit**, or the difference between revenues from sale of products and services and consumption of raw materials;
- **EBITDA**, or earnings before amortisation, depreciation and impairment of fixed assets, the valuation of affiliates at equity, financial income and expenses and income taxes for the period;
- **ADJ. EBITDA** is an intermediate figure, determined gross of non-recurring costs and revenues, before amortisation, depreciation and impairment of fixed assets, financial income and expenses, valuations of affiliates at equity and income taxes for the period. This is a measure used by the Group to monitor and assess its operating performance, net of any non-recurring costs or revenues that therefore do not occur frequently in the ordinary course of business. Since the composition of EBITDA is not regulated by the reference accounting standards, the calculation criterion applied by the Group may not be consistent with that used by other companies and would therefore not be comparable.
- **EBIT**, or earnings before the valuation of affiliates at equity, financial income and expenses and income taxes for the period.

By the end of the year, the commercial activities of the subsidiary Eurotech France Sas had been curtailed and action had been taken against employees and with regard to existing leases. In the course of 2022, this process was continued with the closure of existing leases and the statutory notices to employees. Activities are expected to be completed by the end of 2022.

The condensed consolidated half-year financial statements were prepared in accordance with the general criteria of reliable and accurate presentation of the Group's financial position and results, as well as the cash flows, in compliance with the general principles of business continuity, accrual accounting, consistency of presentation, materiality and aggregation, prohibition of offsetting, and comparability of information.

Therefore, the Directors have prepared the financial statements on the assumption that the Group will continue to operate, believing that there are no material uncertainties that could cast significant doubt on this assumption in view of the good level of orders, the current financial position that allows the Group to sustain the continuous investments necessary to support the business strategies and that, despite a supply chain risk related to the shortage of electronic components, could lead to a shift in the delivery of orders, which is continuously monitored; furthermore, they believe that there is a reasonable expectation that the Group has adequate resources to continue operations in the near future and for a period of not less than 12 months from the reporting period.

C – Scope of consolidation

The condensed consolidated half-year financial statements include the half-year financial statements of the Parent Company, Eurotech S.p.A., and the Italian and foreign subsidiaries in which Eurotech directly or indirectly (through subsidiaries and affiliates) exercises control, makes financial and operating decisions and obtains the respective benefits.
Subsidiaries are consolidated from the date at which control is effectively transferred to the Group, and cease to be consolidated on the date at which control is transferred outside the Group.
The companies consolidated line-by-line in the basis of consolidation at 30 June 2022 are as follows:

Company name	Registered offices	Share capital		Group share
Parent company				
Eurotech S.p.A.	Via Fratelli Solari, 3/A – Amaro (UD)	€	8,878,946	
Subsidiaries consolidated line-by-line				
Aurora S.r.l.	Via Fratelli Solari, 3/A – Amaro (UD)	€	10,000	100.00%
EthLab S.r.l.	Via Dante, 300 – Pergine Valsugana (TN)	€	115,000	100.00%
Eurotech Inc.	Columbia – MD (USA)	USD	26,500,000	100.00%
Eurotech Ltd.	Cambridge (UK)	GBP	33,333	100.00%
E-Tech USA Inc.	Columbia – MD (USA)	USD	8,000,000	100.00%
Eurotech France S.A.S.	Vénissieux (France)	€	795,522	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Via Piave, 54 – Caronno Varesino (VA)	€	51,480	100.00%
Advanet Inc.	Okayama (Japan)	JPY	72,440,000	90.00% (1)

(1) Officially, the Group owns 90% of the company, but as Advanet holds 10% of the share capital in the form of treasury shares, it is fully consolidated.

Affiliates consolidated at equity		
Rotowi Technologies S.p.A. in liquidation (formerly U.T.R.I. S.p.A.)	Via Carlo Ghega, 15 – Trieste	21.31%
Other smaller companies valued at cost		
Kairos Autonomi Inc.	Sandy – UT (USA)	19.00%
Interlogica S.r.l.	Mestre (VE)	10.00%

There were no changes with regard to subsidiaries and affiliates compared to 31 December 2021.

The exchange rates used to convert the financial statements of foreign companies into the Eurotech Group's reference currency (euro) are presented in the following table and correspond to those issued by the Italian Foreign Exchange Bureau:

Currency	Average 6M 2022	As of June 30, 2022	Average 2021	As of December 31, 2021	Average 6M 2021	As of June 30, 2021
British pound sterling	0.84240	0.85820	0.85960	0.84028	0.86801	0.85805
Japanese Yen	134.30709	141.54000	129.87671	130.38000	129.86810	131.43000
USA Dollar	1.09339	1.03870	1.18274	1.13260	1.20535	1.18840

D – Segment reporting

For management purposes, the Group considers only one business sector as relevant: the "Moduls and Platform" sector. Thus, the disclosure is provided for the sole identified sector, broken down on a geographical basis. The geographical areas are produced in relation to the various group entities and based on the criteria with which they are currently monitored by top management.
The Group's geographical areas are defined according to the localisation of Group assets and operations. They are: Europe, North America and Asia.
Management monitors the gross profit margin of the individual business units separately for the purposes of resources allocation and performance assessment.

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	H1 2022	H1 2021	% YoY Change	H1 2022	H1 2021	% YoY Change	H1 2022	H1 2021	% YoY Change	H1 2022	H1 2021	% YoY Change	H1 2022	H1 2021	% YoY Change
Third party Sales	15,666	11,801		7,061	6,717		12,014	8,212		0	0		34,741	26,730	
Infra-sector Sales	794	284		2,948	2,318		22	21		(3,764)	(2,623)		0	0	
Total Sales revenues	16,460	12,085	36.2%	10,009	9,035	10.8%	12,036	8,233	46.2%	(3,764)	(2,623)	-43.5%	34,741	26,730	30.0%

With regard to the sales performance by geographic area, shown in the table above, to be noted is an increase - as already mentioned - in all geographical areas.

The table below shows assets and investments in the Group's individual business segments at 30 June 2022 and 31 December 2021.

(€'000)	North America		Europe		Asia		Correction, reversal and elimination		Total	
	H1 2022	FY 2021	H1 2022	FY 2021	H1 2022	FY 2021	H1 2022	FY 2021	H1 2022	FY 2021
Assets and liabilites										
Segment assets	48,304	45,313	78,600	83,037	69,918	74,823	-40,128	-38,662	156,694	164,511
Investments in subsidiaries non consolidated, associate & other companies	126	116	426	426	0	0	0	0	552	542
Total assets	**48,430**	**45,429**	**79,026**	**83,463**	**69,918**	**74,823**	**-40,128**	**-38,662**	**157,246**	**165,053**
Segment liabilities	44,677	42,310	32,665	32,985	14,770	18,015	-40,106	-38,693	52,006	54,617
Total liabilities	**44,677**	**42,310**	**32,665**	**32,985**	**14,770**	**18,015**	**-40,106**	**-38,693**	**52,006**	**54,617**
Other segment information										
Investments in tangible assets	29	70	136	273	79	830	0	0	244	1,173
Investments in intangible assets	211	417	1,116	2,523	129	809	-19	-76	1,437	3,673
Depreciation & amortisation	407	830	1,438	2,886	629	1,195	-50	-71	2,424	4,840

E – Breakdown of main items of the statement of financial position

1 – Intangible assets

The following table shows the changes in the historical cost and accumulated amortisation of intangible assets in the reporting period:

(€ '000)	DEVELOPMENT COSTS	GOODWILL	SOFTWARE TRADEMARKS PATENTS	ASSETS UNDER CONSTRUCTION & ADVANCES	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Purchase or production cost	17,287	77,851	23,696	4,395	27,780	151,009
Previous years' impairment	(778)	(8,130)	(8,029)	(56)	-	(16,993)
Previous years' amortisation	(12,038)	-	(6,155)	-	(27,780)	(45,973)
OPENING BALANCE	**4,471**	**69,721**	**9,512**	**4,339**	**-**	**88,043**
Purchases	216	-	32	1,189	-	1,437
Disposals	(667)	-	-	-	-	(667)
Other changes	(10)	(947)	(350)	(12)	(1,786)	(3,105)
Transfers	2,463	-	495	(2,958)	-	-
Amortisation in period	(1,191)	-	(352)	-	-	(1,543)
Reversal of cumulative amortisation	667	-	-	-	-	667
Other changes in cumulative impairment	-	(581)	(277)	-	-	(858)
Other changes in cumulative amortisation	24	-	(43)	-	1,786	1,767
TOTAL CHANGES	**1,502**	**(1,528)**	**(495)**	**(1,781)**	**-**	**(2,302)**
Purchase or production costs	19,289	76,904	23,873	2,614	25,994	148,674
Impairment	(778)	(8,711)	(8,306)	(56)	-	(17,851)
Cumulative amortisation	(12,538)	-	(6,550)	-	(25,994)	(45,082)
CLOSING BALANCE	**5,973**	**68,193**	**9,017**	**2,558**	**-**	**85,741**

The decrease of €2.3 million is attributable to a combination of new investments totalling €1.44 million, a negative foreign exchange effect of €2.10 million and amortisation of €1.54 million registered in the first half-year. The total amount in fact went from €88.04 million last year to €85.74 million at the end of the first half of 2022.

Investments made in the first six months of the year mainly relate to Group plans to develop new products, both on new IoT technologies and on products ordered to Edge computers and Edge AI.

The "other changes", "other changes, accumulated write-downs" and "other changes, accumulated amortisation" items refer to exchange differences accrued on the opening balances of the values expressed in foreign currencies.

Goodwill refers to the higher value paid, upon acquisition of fully consolidated subsidiaries, in excess of the fair value of the assets and liabilities acquired. Effective 1 January 2004, goodwill is no longer subject to amortisation but must be subjected at least annually to impairment testing.

In order to carry out the annual impairment test, the individual goodwill items and the assets with indefinite and definite useful lives, which were acquired through business combinations, were allocated to their respective cash-generating units, corresponding to the legal entity or Group of companies to which they refer to test for impairment.

The book value of goodwill and trademarks with indefinite useful lives allocated to each of the cash-generating units are as follows:

(€ '000)	at June 30, 2022		at December 31, 2021	
Cash generating units	**Goodwill**	**Trademark with an indefinite useful life**	**Goodwill**	**Trademark with an indefinite useful life**
Advanet Inc.	39,400	7,482	42,773	8,122
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	23,614	-	21,661	-
Eurotech Ltd. (ex Arcom Ltd.)	5,089	-	5,197	-
Eurotech France S.a.s.	-	-	-	-
Other	90	-	90	-
TOTAL	**68,193**	**7,482**	**69,721**	**8,122**

The change in the values of Advanet Inc., Eurotech Inc. and Eurotech Ltd. is attributable to the fact that these values are expressed in the functional currency of foreign operations and subsequently converted at each reporting date using the precise exchange rate on that date.

For the purpose of verifying any impairment of goodwill and other intangible assets with definite useful lives, the Group again critically analysed, at 30 June 2022, the valuation processes conducted at 31 December 2021 and approved by the BoD on 10 February 2022, which were carried out with the support of independent experts.

The directors confirmed that, as of the date of this report, there were no indicators of impairment such as to make it necessary to restate the valuation exercises prepared for the financial statements as of 31 December 2021 for the various CGUs. In particular, it was found that: (i) based on the results of the first half of the year, the forecasts for the 2022 financial year and the information currently available for subsequent years, the business plan and the related financial and income flows are confirmed; (ii) in consideration of the changed geopolitical context, determined in particular by the events related to the Russia-Ukraine conflict, there was a general increase in interest rates and yields of government bonds during the period. This phenomenon led to an increase in WACC values, which, based on the calculations made and with reference to each of the CGUs identified, ranged between 40bps and 190bps at the reference date of the half-year report. Therefore, an analysis was carried out comparing the results of the sensitivity analyses on rates carried out at 31 December 2021 with the updated results. The check did not reveal any critical situations, since the increase in rates falls within the ranges of the impairment tests identified for the various CGUs.

Generally speaking, in their analyses, the Directors have taken into account not only internal indicators, but also external ones (such as the stock market performance of Eurotech's shares and its capitalisation, as well as changes in the technological, market, economic or regulatory environments) and have deemed the values recorded to be adequate and recoverable.

2 – Property, plant and equipment

The table below shows changes in the historical cost and accumulated depreciation and the value of the assets in the period under review:

(€ '000)	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION & ADVANCES	RIGHT OF USE ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
Purchase of production cost	2,176	5,308	5,413	5,808	-	6,168	24,873
Depreciation	-	-	-	-	-	(61)	(61)
Previous year's depreciation	(479)	(4,858)	(5,085)	(5,237)	-	(3,924)	(19,583)
OPENING BALANCE	**1,697**	**450**	**328**	**571**	**-**	**2,183**	**5,229**
Purchases	-	-	45	121	6	72	244
Disposals	-	(11)	(125)	(330)	-	(296)	(762)
Other changes	(4)	(263)	(57)	6	-	(115)	(433)
Depreciation in period	(31)	(36)	(93)	(123)	-	(598)	(881)
Reversal of cumulative depreciation	-	11	125	315	-	195	646
Other changes in cumulative impairment	-	-	-	-	-	61	61
Other changes in cumulative amortisation	1	240	46	(39)	-	88	336
TOTAL CHANGES	**(34)**	**(59)**	**(59)**	**(50)**	**6**	**(593)**	**(789)**
Purchase or production cost	2,172	5,034	5,276	5,605	6	5,829	23,922
Cumulative depreciation	(509)	(4,643)	(5,007)	(5,084)	-	(4,239)	(19,482)
CLOSING BALANCE	**1,663**	**391**	**269**	**521**	**6**	**1,590**	**4,440**

The item "other changes", referring to both the cost and the value of the relative accumulated depreciation, shows the effect of the different exchange rate used to convert the values of foreign entities at 30 June 2022 compared to that applied at 31 December 2021.
The other purchases refer mainly to computers, office equipment, industrial equipment and cars.
The "Right-of-use assets" item includes both leases always recognised using the financial method and mainly referring to some cars purchased by the Parent Company, as well as the amounts related to application of the IFRS 16 standard, which requires that lease contracts be recognised as assets.
Right-of-use assets includes mainly leases, in accordance with IFRS 16. Leases refer to the rents of industrial and commercial buildings as well as office areas and leases of office machines. During the year, following the renegotiation of some contracts and the execution of new contracts for other assets, the increase amounted to

€72 thousand. These assets, concerning the "Right of use", are then depreciated on a straight line basis for the duration of the contract, taking account of the renewal/termination options, which are highly likely to occur.

At the end of January 2022, the sale was finalised of the building owned by the subsidiary I.P.S. Sistemi Programmabili S.r.l., which at 31 December 2021 was recognised as "assets classified as held for sale" for €365 thousand.

3 – Equity investments in affiliates and other companies

The table below shows changes in equity investments in affiliates and other companies in the reporting period:

	at June 30, 2022				
(€'000)	INITIAL VALUE	WRITE-UPS /WRITE-DOWN	OTHER	EOP VALUE	% OWNERSHIP
Investments in associate companies (valuation using the equity method):					
Rotowi Technologies S.r.l. in liquidazione (ex U.T.R.I. S.p.A.)	-	-	-	-	21.32%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	-	-	-	-	
Investments in other companies (valuation at fair value on the Profit&Loss):					
Consorzio Ecor' IT	2	-	-	2	
Consorzio Aeneas	5	-	-	5	
Consorzio Ditedi	19	-	-	19	7.69%
Interlogica S.r.l.	400	-	-	400	10.00%
Kairos Autonomi	115	-	10	125	19.00%
Others	1	-	-	1	
TOTAL INVESTMENTS IN OTHER COMPANIES	**542**	**-**	**10**	**552**	
TOTAL INVESTMENTS	**542**	**-**	**10**	**552**	

Rotowi Technologies S.r.l. in liquidation (formerly U.T.R.I. S.p.A.) was valued using the equity method and the percentage of ownership is equal to 21.32%.

There are no changes in the values of equity investments in affiliates and other companies, except for exchange rate effect.

4 – Inventories and contracts in progress

The table below shows the breakdown of inventories at the end of the relevant reporting periods:

(€'000)	at June 30, 2022	at December 31, 2021
Raw & auxiliary materials and consumables - gross	16,827	12,584
Inventory write-down provision	(2,534)	(2,478)
Raw & auxiliary materials and consumables - net	**14,293**	**10,106**
Work in process and semi-finished goods - gross	1,385	718
Inventory write-down provision	(98)	(103)
Work in process and semi-finished goods	**1,287**	**615**
Finished poducts and goods for resale - gross	9,864	9,767
Inventory write-down provision	(3,106)	(3,046)
Finished products and goods for resale - net	**6,758**	**6,721**
Advances	**1,280**	**204**
TOTAL INVENTORIES	**23,618**	**17,646**

Inventories at 30 June 2022 amounted to €23,62 million, net of the inventory write-down provision totalling €5.74 million. The net increase in inventory write-down provision of €0,11 million is the result of the combined effect of allocations made during the period and the uses following the disinvestment of warehouse items that had previously been either fully or partially written down.

The following table shows the changes in inventory write-down provision in the periods under review:

(€'000)	at June 30, 2022	at December 31, 2021
OPENING BALANCE	**5,627**	**5,325**
Provisions	251	415
Other changes	307	356
Utilisation	(447)	(469)
CLOSING BALANCE	**5,738**	**5,627**

The "other changes" item represents the movements in values expressed in the functional currency of foreign operations and subsequently converted at each reporting date using the exchange rate on that date.

5 – Trade receivables

The table below shows the breakdown of trade receivables and the respective doubtful debt provision at 30 June 2022 and 31 December 2021:

(€'000)	at June 30, 2022	at December 31, 2021
Trade receivables - customers	11,274	11,672
Trade receivables - realted paties	2	1
Doubtful debt provision	(395)	(393)
TOTAL TRADE RECEIVABLES	**10,881**	**11,280**

Note that, at the reporting date, the Group did not present significant concentrations of credit risk, as the Group has a number of customers located throughout the various geographic areas of business. The risk profile of customers is essentially similar to that identified and assessed in the past year. These receivables are expected to be collected within the next year. Trade receivables are non-interest bearing and generally fall due at 90/120 days.

Trade receivables, net of the relative doubtful debt provision, decreased by €0.40 million compared with 31 December 2021. The decrease is mainly due to the trend in natural due dates of residual trade receivables at the end of June 2022.
No bank receipts subject to collection were presented but not yet due at the end of the period.

Receivables are shown after a doubtful debt provision of €0.39 million.

(€'000)	at June 30, 2022	at December 31, 2021
OPENING BALANCE	**393**	**492**
Provisioning	6	74
Other changes	1	7
Utilisation	(5)	(180)
CLOSING BALANCE	**395**	**393**

The net increase for the period was €2 thousand, due to the combined effect of the provision for the period for €6 thousand to adjust, individually, the value of receivables based on the expected losses on them, the utilisation of the provision for €5 thousand as the conditions for utilising the provision were met and a slight exchange rate effect for €1 thousand.

6 – Tax receivables and payables

Receivables for income taxes represent receivables from individual governments for direct taxation (IRES and income taxes in various countries), which should be recovered within the next year as well as receivables for withholdings made on dividends distributed to the Parent Company. Compared to 31 December 2021, the value decreased from €801 thousand to €624 thousand.

Income tax payables are made up of current taxes relating to the period still to liquidate and represent the amounts that the companies must pay to the tax authorities of the respective countries. They amounted to €375 thousand at 30 June 2022. These payables are calculated according to the tax rates currently in force in each country. Foreign tax payables amounted to €191 thousand (2021: €23 thousand), those for Italian tax payable amounted to €184 thousand (2021: €191 thousand).

7 – Other current assets

The table below shows the breakdown of other current assets at 30 June 2022 and 31 December 2021:

(€'000)	at June 30, 2022	at December 31, 2021
Amounts receivable for grants	0	50
Advance payments to suppliers	174	185
Tax receivables	363	483
Other receivables	205	186
Accrued income and prepaid expenses	1,621	1,226
TOTAL OTHER CURRENT ASSETS	**2,363**	**2,130**

Tax receivables comprise mainly receivables for indirect tax (VAT). VAT receivables do not bear interest and are generally settled with the competent tax authority on a monthly basis.
Prepaid expenses relate to costs borne in advance for bank charges, maintenance fees, utilities, services and insurance.

8 – Other current financial assets

The "other current financial assets" item recorded under current assets amounted to €139 thousand with an increase of 16 thousand from 31 December 2021 (€123 thousand).
The amount recorded comprises €105 thousand of a three-year insurance policy, €31 thousand related to an investment of liquid assets in low risk funds and €3 thousand in interest accrued on the loan granted to Kairos Autonomi Inc., which will be repaid in the next year.
The portfolio continues to hold 2,500 shares of Veneto Banca Holding S.c.a.r.l. that were purchased in 2012 and completely written down in 2016, in order to adjust the value to the market value, which is currently €0.1.
These assets were classified as financial assets recorded in the income statement at fair value.

9 – Cash and cash equivalents

The table below shows the breakdown of cash and cash equivalents at 30 June 2022 and 31 December 2021:

(€'000)	at June 30, 2022	at December 31, 2021
Bank and post office deposits	21,262	31,689
Cash and valuables in hand	16	15
TOTAL CASH & CASH EQUIVALENTS	**21,278**	**31,704**

Bank deposits are mostly on demand and are remunerated at a variable rate of interest. The fair value of cash and cash equivalents was €21.28 million (€31.70 million at 31 December 2021).
Cash and cash equivalents fell by €10.43 million compared to 31 December 2021 as a result of operating cash used in the half-year, net of loan instalment payments due in the first half-year (€3.8 million) and investments in property, plant and equipment (€0.2 million) and intangible assets (€1.4 million) made in the period.

10 – Net financial position

The Group's net financial position as defined by the Consob notice no. 5/21 of 29 April 2021, which refers to the Guidelines of the European Securities and Markets Authority (ESMA), issued on 15 July 2020 and in force as from 5 May 2021 is as follows:

(€'000)		at June 30, 2022	at December 31, 2021
Cash	A	(21,278)	(31,704)
Cash equivalents	B	-	-
Other current financial assets	C	(260)	(123)
Cash equivalent	**D=A+B+C**	**(21,538)**	**(31,827)**
Current financial debt	E	226	99
Current portion of non-current financial debt	F	8,331	8,045
Short-term financial position	**G=E+F**	**8,557**	**8,144**
Short-term net financial position	**H=G+D**	**(12,981)**	**(23,683)**
Non current financial debt	I	12,778	17,535
Debt instrument	J	-	-
Trade payables and other non-current payables	K	-	-
Medium-/long-term net financial position	**L=I+J+K**	**12,778**	**17,535**
(NET FINANCIAL POSITION) NET DEBT ESMA	**M=H+L**	**(203)**	**(6,148)**
Medium/long term borrowing allowed to affiliates companies and other Group companies	N	(68)	(62)
(NET FINANCIAL POSITION) NET DEBT	**O=M+N**	**(271)**	**(6,210)**

The consolidated net financial position at 30 June 2022 amounted to a net cash of €0.27 million compared to a net cash position of €6.21 million at 31 December 2021. Application of the IFRS 16 accounting standard entailed the recognition by Group companies of financial liabilities for rights of use at 30 June 2022 of €1.58 million (€2.26 million at 31 December 2021), which, added to the net financial position, results in a net cash position before IFRS 16 of €1.85 million.

11 – Equity

The table below shows the breakdown of equity at 30 June 2022 and 31 December 2021:

(€'000)	**at June 30, 2022**	**at December 31, 2021**
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(40,039)	(34,843)
Group shareholders' equity	**105,240**	**110,436**
Equity attributable to minority interest	**-**	**-**
Total shareholders' equity	**105,240**	**110,436**

The share capital at 30 June 2021 was made up of 35,515,784 ordinary shares, fully subscribed and paid in, with no nominal value.

The balance of the Issuer's legal reserve at 30 June 2022 amounted to €1.78 million.

The share premium reserve, which relates entirely to the Parent Company, is shown at a total amount of €136.4 million.

The positive translation reserve of €6,00 million is generated by inclusion in the condensed consolidated half-year financial statements of the statements of financial position and income statements of US subsidiaries Eurotech Inc. and E-Tech USA Inc., as well as the UK subsidiary Eurotech Ltd. and the Japanese subsidiary Advanet Inc.

The “other reserves” item was negative for €49,96 million and consisted of the Parent Company’s extraordinary reserve, formed by losses carried forward, allocations of retained earnings from prior years and other miscellaneous reserves. The change in the year is attributable to the allocation of 2021 results and the recognition of the Performance Share Plan as described in note 31.

The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IFRS 9, was positive for €121 thousand and increased by €127 thousand gross of the tax effect, and was therefore not recorded as the prerequisite conditions were not met.
The foreign exchange reserve, which recognises – based on IAS 21 – foreign exchange differences relating to intragroup foreign-currency loans that constitute part of a net investment in foreign operations, was positive for €7.12 million, an increase of €3.04 million.

The Parent Company Eurotech S.p.A. held 89,920 treasury shares at the end of the reporting period. There were no changes during the six-month period.

12 – Basic and diluted earnings (losses) per share

Base earnings (losses) per share (EPS) are calculated by dividing the income of the period pertaining to ordinary shareholders of the Parent Company by the average weighted number of ordinary shares in circulation during the period, net of treasury shares.

No equity transactions were reported in the periods presented for comparison that diluted earnings per share.

The tables below shows earnings and information on the shares used to calculate the basic and diluted EPS.

	at June 30, 2022	at December 31, 2021
Net income (loss) attributable to parent company shareholders	(4,263,000)	(10,408,000)
Weighted average number of ordinary shares including own shares	35,515,784	35,515,784
Own shares	(89,920)	(109,124)
Weighted average number of ordinary shares except own shares	35,425,864	35,406,660
Weighted average number of ordinary shares except own shares for share diluted	35,425,864	35,406,660
Net income (loss):		
- per share	**(0.120)**	**(0.294)**
- per share diluted	**(0.120)**	**(0.294)**

13 – Financial liabilities

The table below shows the breakdown of short- and medium/long-term financial liabilities at 30 June 2022:

TYPE (€'000)	COMPANY	BALANCE ON 31.12.2021	BALANCE ON 30.06.2022	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months	Long term Over 5 years
CURRENT OUTSTANDINGS - (a)		**92**	**226**	**226**	**-**	**-**	**-**
Lease liabilities		2,265	1,577	1,022	555	555	-
TOTAL OTHER FINANCINGS - (b)		**2,265**	**1,577**	**1,022**	**555**	**555**	**-**
Unsecured loans	Eurotech S.p.A.	19,520	16,458	6,461	9,997	9,997	-
Unsecured loans	Advanet Inc.	3,795	3,074	848	2,226	2,226	-
TOTAL BANK DEBT - (c)		**23,315**	**19,532**	**7,309**	**12,223**	**12,223**	**-**
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		**25,580**	**21,109**	**8,331**	**12,778**	**12,778**	**-**
TOTAL DEBT - [(a) + (b) + (c)]		**25,672**	**21,335**	**8,557**	**12,778**	**12,778**	**-**

In the first half of 2022, portions of medium/long-term loans falling due were paid in the amount of €3.78 million.
Existing loans do not have financial covenants.

The "other loans" item includes the residual debt of €1.58 million (of which €0.56 million medium-term) referred to contracts for leased assets accounted for in accordance with IFRS 16 and related to company cars purchased by the Parent Company and a server at the Columbia (USA) production site.

All existing bank loans are denominated in euro, with the exception of loans granted to the Japanese subsidiary, which are in Japanese yen, while the other loans are expressed in the four currencies, which are the reference currencies of the various Group companies (Euro, USD, Yen and GBP).

14 – Employee benefits

The table below shows the breakdown of employee benefits at 30 June 2022 and 31 December 2021:

(€'000)	at June 30, 2022	at December 31, 2021
Employees' leaving indemnity	376	380
Foreing Employees' leaving indemnity	2,308	2,464
Employees' retirement fund	-	-
TOTAL EMPLOYEES' BENEFITS	**2,684**	**2,844**

Defined-benefit plans

The Group has defined-benefit pension plans both in Italy and Japan, and these require contributions to a separately managed fund.
As a result, the expected return of the assets servicing the defined-benefit plan was not booked to the income statement. The interest on the net liabilities of the defined-benefit plan (not including the plan assets) was,

however, booked to the income statement. Interest is calculated using the discount rate used to measure the net assets or liabilities of the pension plan.
In addition, the past service cost (not vested) can no longer be deferred to the future vesting period. All past service costs are instead recognised in the income statement at the date of the plan's amendment, or at the date of recognition of the related restructuring costs, or cessation of the employment relationship, whichever is earlier. With the move to IAS 19R, past service costs are recognised immediately in the income statement if the benefits vest immediately with the introduction or modification of the pension plan.

The changes in the Italian and foreign "pension fund" items are as follows:

	Defined benefit plans			
	Italy		Japan	
(€ '000)	at June 30, 2022	at December 31, 2021	at June 30, 2022	at December 31, 2021
Liabilities at start of period	**380**	**392**	**2,464**	**2,436**
Cost relating to present service	12	13	122	245
Past Service cost	0	0	0	0
Finance expense	0	3	0	9
Other changes	0	0	(200)	(73)
Benefits paid out	(16)	(6)	(78)	(164)
Actuarial loss (gain) reconised	0	(22)	0	11
Liabilities at end of period	**376**	**380**	**2,308**	**2,464**

15 – Provisions for risks and charges

The table below shows the breakdown and changes in provisions for risks and charges at 30 June 2022 and 31 December 2021:

(€'000)	at December 31, 2021	Provision	Utilization	Other	at June 30, 2022
Selling agents' commission fund	27	-	-	-	27
Director termination fund	55	1	(52)	(4)	-
Guarantee reserve	365	-	(16)	10	359
Busting depreciable asset	486	-	-	(28)	458
Other long therm risk provision	544	-	(464)	(5)	75
TOTAL FUNDS FOR COSTS AND FUTURE RISKS	1,477	1	(532)	(27)	919

The "selling agents' commission fund" is allocated based on the amounts envisaged by legislation and collective economic agreements regarding situations of interruption in the mandate given to agents. The effect of discounting the share of liabilities that will be liquidated beyond the next year is not expected to be significant.

The "directors' termination fund" refers to the indemnity recognised for directors with powers set out in by the Bylaws of the Company or its subsidiaries. This indemnity is generally paid at the end of the mandate and is set aside periodically for the relevant portion. In 2022, a person in the Japanese company was paid the full amount set aside of €52 thousand.

The product warranty provision is allocated based on the expectations of the charges to be incurred for non-fulfilment of the contractual warranty on products sold at year-end.

The "asset disposal reserve" was allocated in response to an obligation for future costs that the Japanese and English companies of the Group will incur in future years for the disposal, demolition, disassembly, and removal of a number of assets, and improvements to leased property, at the end of their useful lives or of the lease contract.

The "Other risks reserve" is allocated on the basis of expected costs to be incurred for risks related to tax issues or to legal disputes or transitional reorganisation agreements not yet settled. In 2021, the fund was increased to cover the probable risk of compensation payments to employees leaving the French and British companies. The decrease is related to the occurrence of some of the aforementioned events in the first half of the year.

16 – Trade payables

The table below shows the breakdown of trade payables at 30 June 2022 and 31 December 2021:

(€'000)	**at June 30, 2022**	**at December 31, 2021**
Third parties	16,862	12,518
Related companies	303	487
TOTAL TRADE PAYABLES	**17,165**	**13,005**

Trade payables at 30 June 2022 came to €17.16 million, an increase of €4.16 million compared to 31 December 2021.
Trade payables are non-interest bearing and, on average, are settled 90-120 days after invoice date.

17 – Other current liabilities

The table below shows the breakdown of other current liabilities at 30 June 2022 and 31 December 2021:

(€'000)	at June 30, 2022	at December 31, 2021
Social contributions	457	844
Other	3,739	4,688
Advances from customers	704	526
Grants advances	692	651
Other tax liabilities	290	523
Accrued expanses	655	961
TOTAL OTHER CURRENT LIABILITIES	**6,537**	**8,193**

Other payables

(€'000)	at June 30, 2022	at December 31, 2021
Employees	1,086	1,277
Vacation pay	1,018	1,195
Directors	499	994
Statutory auditors	294	261
Other	842	961
TOTAL OTHER PAYABLES	**3,739**	**4,688**

The “other payables” item contains the amounts due to employees for compensation, holidays and leaves of absence accrued and not yet used at the reporting dates, as well as amounts due to directors and other miscellaneous payables.

F – Breakdown of the main income statement items

18 – Costs of raw & auxiliary materials and consumables used

(€'000)	H1 2022	H1 2021
Purchases of raw materials, semi-finished and finished products	24,999	13,987
Changes in inventories of raw materials	(4,431)	(393)
Change in inventories of semi-finished and finished products	(606)	(68)
TOTAL COST OF MATERIALS	**19,962**	**13,526**

Costs of raw & auxiliary materials and consumables used show an increase of 47.6% over the period under review, from €13.53 million in the first half of 2021 to €19.96 million in the first half of 2022. The increase is related to the higher turnover achieved in the first half of 2022 compared to the previous period and is affected by both the increase in raw material and component costs and the different product mix. Consumption costs, in fact, grew more than proportionally to revenue growth.

19 – Other operating costs net of cost adjustments

(€'000)	H1 2022	H1 2021
Service costs	6,726	7,185
- of which non recurrent costs	-	*1,213*
Rent and leases	370	209
Payroll	10,428	10,154
- of which non recurrent costs	-	-
Accruals and other costs	378	610
- of which non recurrent costs	-	*202*
assets	(1,413)	(1,804)
Operating costs net of cost adjustments	**16,489**	**16,354**

The "operating costs" item shown in the table above, net of cost adjustments for internal increases, grew from €16.35 million in the first half of 2021 to €16.49 million in the first half of 2022. The item in the first half of 2021 included, as detailed in the table, non-recurring costs totalling €1.41 million.

The "other provisions and other costs" item includes an allocation to the doubtful debt provision for €6 thousand.

20 – Service costs

(€'000)	H1 2022	H1 2021
Industrial services	2,257	2,133
Commercial services	977	827
General and administrative costs	3,492	4,225
Total costs of services	**6,726**	**7,185**

In the period under review, service costs recorded a decrease of 6.4%, from €7.18 million to €6.73 million; the ratio to revenues decreased from 26.9% in the first half of 2021 to 19.4% in the first half of 2022.
In the first half of 2021 alone, costs for services included non-recurring costs of €1.21 million, and consequently, net of these costs related to a novel transaction with the CEO, there was an increase of €0.75 million or 12.6% to support the Group's new strategy.

21 – Payroll costs

(€'000)	H1 2022	H1 2021
Wages, salaries and Social Security contributions	9,839	9,601
Employees' leaving entitlement and other personnel provisions	283	280
Other costs	306	273
Total personnel expenses	**10,428**	**10,154**

In the first half of the year, personnel costs increased from €10.15 million (€10.30 million at constant exchange rates) to € 10.43 million, an increase of 2.7% at historical exchange rates and limited to 1.2% if the comparison is made at constant exchange rates. Wages include €176 thousand as the accrued portion of costs relating to the Performance Share Plan as reported in Note 31 (at 30 June 2021, the amount recognised at cost was €35 thousand).

As the table below illustrates, the number of Group employees decreased at the end of the last period, down from 331 units at 2021 year-end to 316 units at the end of the first half of 2022.
Based on the average value, the reduction is more limited and is 2 units compared to 31 December 2021 and 7 units compared to 30 June 2021.

EMPLOYEES	Average 2022	at June 30, 2022	Average 2021	at December 31, 2021	at June 30, 2021
Management	3.0	3	4.0	3	4
Clerical workers	292.3	290	296.1	299	305
Line workers	24.5	23	22.0	22	22
TOTAL	**319.8**	**316**	**322.1**	**324**	**331**

22 – Cost adjustments for internally generated non-current assets

Cost adjustments for internally generated non-current assets at 30 June 2022 amounted to €1.41 million (at 30 June 2021 €1.80 million), entirely related to the capitalisation of internal payroll, material and service costs incurred for certain development projects for new products in the fields of “Moduls and Platform“, Edge computers, Edge AI modules and systems, and in the area of Internet of Things software platforms. More specifically, if these costs had been deducted from the corresponding income statement item, there would have been a reduction in materials costs for €52 thousand (€31 thousand at 30 June 2021), payroll costs of €657 thousand (€1,038 thousand at 30 June 2021) and service costs of €704 thousand (€731 thousand at 30 June 2021).

23 – Other income

(€'000)	H1 2022	H1 2021
Government grants	14	7
Sundry revenues	130	23
Total other revenues	**144**	**30**

The main effect of the change in the item miscellaneous revenue is the out-of-period income generated by the early termination of the lease agreement accounted for in accordance with IFRS 16 by the French subsidiary.

24 – Depreciation, amortisation and impairment

(€'000)	H1 2022	H1 2021
Amortisation of intangile assets	1,543	1,362
Amortisation of property, plant and equipment	881	930
Write-down of fixed assets	-	-
Total amortisation and depreciation	**2,424**	**2,292**

Depreciation, amortisation and impairment increased from €2.29 million in the first half of 2021 to €2.42 million in the first half of 2022. This change is due mainly to the higher amortisation of development costs that began their amortisation process. It was not necessary to make any write-downs on the fixed assets.

25 – Financial income and charges

The Group's financial management is summarised as follows:

€'000	H1 2022	H1 2021
Exchange-rate losses	1,099	548
Interest expenses	107	163
Interest expenses on lease liabilities	16	26
Expenses on derivatives	13	27
Other finance expenses	54	41
Financial charges	**1,289**	**805**
Exchange-rate gains	945	428
Interest income	1	1
Other finance income	15	2
Financial incomes	**961**	**431**

Net financial management improved in the first six months of 2022 compared to the first six months of 2021 by 12.3% from a negative €374 thousand to €328 thousand.
Exchange rate fluctuations affected financial operations by €154 thousand (resulting in a negative effect of €120 thousand in the first six months of 2021). Interest expenses had an impact of €122 thousand in 2022, an improvement over the impact of €188 thousand in 2021. Other financial income and charges amounted to a total of €52 thousand (€66 thousand in the first six months of 2021).

26 – Income tax for the period

Income taxes at 30 June 2022 showed a net positive effect of €55 thousand (resulting from the net effect of current tax charges of €115 thousand and income of €170 thousand related to taxation) compared to a positive effect of €25 thousand for the six months ended 30 June 2021 (resulting from the net effect of current tax charges of €41 thousand, income of €175 thousand related to deferred taxation and taxes related to previous years of €109 thousand), recording a positive change of €30 thousand.

(€'000)	H1 2022	H1 2021
IRES (Italian corporate income tax)	-	-
IRAP (Italian Regional business tax)	-	-
Foreign current income taxes	115	41
Total current income tax	**115**	**41**
Net (prepaid) deferred taxes: Italy	-	-
Net (prepaid) deferred taxes: Non-italian	(170)	(175)
Net (prepaid) deferred taxes	**(170)**	**(175)**
Previous years taxes	-	109
Previous years taxes	**-**	**109**
TOTAL INCOME TAXES	**(55)**	**(25)**

Deferred tax assets as at 30 June 2022 amounted to €6.74 million (31 December 2021: €6.50 million) and were accounted for in previous years on a portion of tax losses that can be carried forward in future years, as well as inventory write-down provision, the doubtful debt provision and other deductible costs of previous years.
Specifically, with regard to deferred tax assets on tax losses, these have been recognised in past years to the extent that it is probable that there will be adequate future taxable profits against which the losses can be utilised. The directors' assessment confirmed in the first half of the year relates to the possibility of having taxable profits in future plan years to cover the deferred tax assets recognised.
The amount of deferred tax liabilities at 30 June 2022 was €2.99 million (€3.20 million at 31 December 2021) and refers principally to the tax effects on the "Price allocation" for trademarks with indefinite useful lives. The decrease is mainly because of the booking of deferred taxes in the period, in addition to the forex effect on values expressed in USD and JPY and relating to the PPA values.

27 – Statement of comprehensive income

The Statement of comprehensive income include:

- the fair value valuation of derivative financial instruments, gross of the unrecognised tax effect, positive for €127 thousand (positive for €34 thousand in the first half of 2021);

- the change in the negative translation reserve amounting to €4,278 thousand (€1,889 thousand in the first half of 2021) mainly due to the change in the Euro/US Dollar and Euro/Japanese Yen exchange rate compared to the end of the previous year
- the change in the positive exchange rate difference reserve of €3,042 thousand (€1,258 thousand in the first half of 2021) on the recognition of exchange rate differences (Euro/US Dollar) compared to the end of the previous year on intercompany loans in foreign currencies that are part of a net investment in a foreign operation.

G – Other information

28 – Related-party transactions

The condensed consolidated half-year financial statements include the financial statements of Eurotech S.p.A. and the half-year financial statements of subsidiaries shown in the table below:

Name	Location	Currency	% of ownership 30.06.2022	% of ownership 31.12.2021
Subsidiaries				
Aurora S.r.l.	Italy	Euro	100.00%	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Italy	Euro	100.00%	100.00%
ETH Lab S.r.l.	Italy	Euro	100.00%	100.00%
Eurotech France S.A.S.	France	Euro	100.00%	100.00%
Eurotech Ltd.	UK	GBP	100.00%	100.00%
E-Tech Inc.	United States	USD	100.00%	100.00%
Eurotech Inc.	United States	USD	100.00%	100.00%
Advanet Inc.	Japan	Yen	90.00% (1)	90.00% (1)
Affiliated companies				
Rotowi Technologies S.p.A. in liquidation (ex U.T.R.I. S.p.A.) (2)	Italy		21.32%	21.32%

(1) The percentage of formal possession is 90%, but due to the possession by Advanet of 10% of the share capital in the form of treasury shares, it is fully consolidated

(2) Company in liquidation

The following table shows relationships with related parties, not eliminated on consolidation.

RELATED PARTIES	Revenues to related parties	Interest to related parties	Purchases from related parties	Financial receivables to related parties	Receivables from related parties	Payables from related parties
Other related parties						
Bluenergy Assistance srl	4	-	-	-	2	-
Kairos Autonomi	-	1	-	71	-	-
Interlogica srl	-	-	300	-	-	303
Logibiotech Srl	1	-	-	-	-	-
Total	**4**	**1**	**300**	**71**	**2**	**303**
Total with related parties	**4**	**1**	**300**	**71**	**2**	**303**
% impact on line item	**0.0%**	**0.1%**	**1.1%**	**34.3%**	**0.0%**	**1.8%**

29 – Financial risk management: objectives and criteria

The Group’s financial instruments, other than derivative contracts, include bank loans in the various technical forms, leases, as well as short-term and on-demand bank deposits. These instruments are intended to finance Group operations. The Group has several other receivable and payable financial instruments at its disposal, such as trade receivables and payables arising from operations and liquidity. The Group had also transactions in derivatives, mainly swap or collar transactions on interest rates. The objective is to manage interest rate risks caused by Group transactions and by its sources of finance.

In accordance with Group policies, no speculative derivatives have been entered into.

The main risks generated by Group financial instruments are interest rate risks, exchange risks, liquidity risks and credit risks. The Board of Directors has reviewed and agreed to the policies for managing these risks, as summarised below.

Interest rate risk
The Group’s exposure to the risk of interest rate fluctuations involves mainly medium-term obligations taken on by the Group, featuring variable interest rates linked to various indices. The Group signed interest rate swap contracts that provided for recognition of a variable rate against payment of a fixed rate. The contract type is designated to hedge changes in the interest rates in place on some loans. Group policy is to maintain between 30% and 60% of its loans at a fixed rate. At 30 June 2022, approximately 34.5% of the Group's loans were fixed-rate loans (in the first half of 2021 the percentage was approximately 27.3%). The loans in place at the Japanese company were signed at fixed rates since it is more advantageous than those at variable rates.

Exchange rate risk
In view of the significant investment transactions in the US, Japan and the UK, with substantial foreign currency cash flows from operations and financial management, the Group’s financial statements could be significantly affected by changes in the USD/EUR, JP¥/EUR and GBP/EUR exchange rates. During the reporting period, no foreign exchange hedges were executed because of the fluctuating USD, GBP and JP¥ flows, particularly taking into account that the individual subsidiaries tend to operate in their respective functional currencies in their respective core markets.
About 77.9% of the Group's sales of goods and services (30 June 2021: 74.1%) and 66.7% (30 June 2021: 58.5%) of the Group's purchase costs of goods and operating costs are denominated in a currency other than the functional currency used by the Parent Company to prepare these condensed consolidated half-year financial statements.

Product and component price risk
Although normally, the Group is not significantly exposed to price risk, over the past 18 months, due to the lack of availability of some electronic components, there have been significant increases in the price of these components that affect the total cost of the finished product. Regular activities are carried out to minimise this price increase and to discuss with the customer a possible mark-up or top-up of the sales price.

Credit risk
The Group trades only with known and reliable customers. The Group’s policy is to check the creditworthiness grade of customers that request extended payment arrangements. In addition, the balance of receivables is monitored during the year so that the amount of non-performing positions is not significant. Only some receivables from key customers are insured.

Financial assets, recorded by trading date, are recognised in the financial statements net of write-downs calculated according to the risk of counterparty default, taking into account the information available on the customer's level of solvency and historical data.
There is no significant concentration of credit risk in the Group, even though there have been occasions over the last 3 years in which an individual customer generated more than 10% of total revenues. In the first half of 2021, there was only one customer with a turnover of more than 10 per cent, and in total its share of the consolidated half-year revenues was approximately 31%; the same customer in 2022 generated a turnover of 37% of the consolidated revenues.
Credit risk concerning other Group financial assets, which include cash and cash equivalents and financial instruments, presents a maximum risk equal to the book value of these assets in the event of insolvency of the counterparty.

Liquidity risk

The objective of the Group is to strike a balance between maintenance of funds and flexibility through the use of overdrafts, loans, leases, factoring assignments with recourse, as well as through equity financing in the market.
Group policy states that no more than 40% of loans must fall due within 12 months.
At 30 June 2022, 38.1% of the Group's financial liabilities will be due within one year (half-year 2021: 28.7%) based on the balances of the original repayment plans.
Considering the current net financial position and the structure of working capital, the risk that the Group will be unable to honour its financial liabilities is limited.

Measurement of fair value and relative hierarchical valuation levels

All financial instruments recognised at fair value are classified within the following three categories:
Level 1: market price
Level 2: valuation techniques (based on observable market data)
Level 3: valuation techniques (not based on observable market data)

The fair value of derivatives and of loans obtained has been calculated by discounting expected cash flows to present value applying prevailing interest rates. The fair value of other financial assets was calculated using market interest rates. As IFRS 13 requires, for each of the financial assets and liabilities the company analysed the effect of their measurement at fair value. The measurement process refers to Level 3 of the fair value hierarchy, except for trading in derivatives as described in greater detail hereunder, and revealed no considerable differences compared to the book values at 30 June 2022 and the respective comparison figures.

At 30 June 2022, the Group held the following financial instruments measured at fair value:

(€'000)	Notional value at June 30, 2022	Fair value at June 30, 2022 (debit)	Fair value at June 30, 2022 (credit)	Notional value at December 31, 2021	Fair value at December 31, 2021 (debit)	Fair value at December 31, 2021 (credit)
Cash flow hedge						
Contracts Interest Rate Swap (IRS)	4,938	121	0	6,398	0	(7)

All the assets and liabilities measured at fair value at 30 June 2022 are classified in Level 2 of the fair value hierarchy. In addition, during the first half of 2022 there were no transfers from Level 1 to Level 2 or Level 3, or vice versa.

30 – Derivatives

Fair value

From the comparison between the book value and the fair value by category of all of the Group's financial instruments recognised in the financial statements, there were no significant differences, other than those highlighted, that require disclosure.
The fair value of derivatives and of loans obtained has been calculated by discounting expected cash flows to present value applying prevailing interest rates. The fair value of other financial assets was calculated using market interest rates.

Interest rate risk

Interest on financial instruments classified as variable-rate instruments is recalculated periodically during the financial year. Interest on financial instruments classified as fixed-rate instruments is kept constant until the maturity date of the instruments concerned.

Hedging

Cash flow hedges

As at 30 June 2022, the Group holds three interest rate swap contracts (for total notional residual amounts of €4.94 million), one of which signed in the first half-year and designated as instruments to hedge interest rate risk.

	Due date	Fixed rate	Floating rate	Market value (€'000)
Interest rate swap contracts				
Euro 937.500,00	31 March 2023	0.01%	Euribor 3 months	1
Euro 2.000.000,00	31 July 2025	-0.20%	Euribor 3 months	49
Euro 2.000.000,00	30 September 2026	-0.14%	Euribor 3 months	71
TOTAL				**121**

Interest rate swap contract conditions were negotiated to coincide with the conditions of the underlying commitments.
The accounting treatment of these financial instruments in the reporting period entailed an increase in shareholders' equity of €127 thousand and reduced the cash flow hedge reserve recognised directly in shareholders' equity to a positive value of €121 thousand.

31 – Share-based payments

"EUROTECH S.p.A. Performance Share Plan 2016" (hereinafter "PSP 2016")

The Incentive Plan ended in the course of 2021 with the awarding of all planned and vested shares.
The amount of €35 thousand related to 2021 was entirely related to this Plan, more details of which can be found in the 2021 Financial Report.

"EUROTECH S.p.A. Performance Share Plan 2021-2023" (hereinafter "PSP 2021")

On 11 June 2021, the Shareholders' Meeting of the Company approved adoption of a new incentive plan solely for individuals who have a directorship position and/or an employment contract and/or a freelance collaboration

or consultancy agreement with Eurotech S.p.A. or one of its subsidiaries and who have key functions in the Group organisation chart; the plan is called “EUROTECH S.p.A. Performance Share Plan 2021-2023".
The PSP 2021 provides that the beneficiaries identified by the Company’s Board of Directors be assigned the right (known as Unit) to receive Eurotech S.p.A. shares free of charge (up to a maximum of 500,000 ordinary shares) provided that the Performance Objectives have been achieved on the respective Assignment Date and that the Relationship with the Company or with one of the Subsidiaries has been constant. The Objectives defined annually by the Board of Directors must be:

a) up to two objectives must be linked to the economic-financial performance of the Group in the medium-long term;
b) an objective must be linked to the trend of the market price of the Shares in the medium-long term (Total Shareholder Return).

The assigned Units are subject to a Vesting period of 3 (three) years during which the assigned Units may not vest, except in the case of termination in the event of Good Leaver (for example: dismissed by the company not for just cause, death, the Beneficiary’s retirement and loss of the condition of Subsidiary by the employer company of the Beneficiary). Subsequently, a portion equal to 20% of the vested shares will be subject to a lock-up period of 2 (two) years.
With reference to the first cycle of the plan, the time period considered concerns the years 2021-2023 and the objectives identified (with target levels other than minimum and maximum) independent from each other are:
i the sum of the Group's consolidated EBIT;
ii the consolidated turnover of the Group at the end of the 2023 financial year;
iii the performance of the Total Shareholder Return of the Eurotech Shares compared to the Total Shareholder Return of the shares of the companies belonging to the FTSE Italia STAR index.

The first two objectives are "non-market based" components (with a weight of 60% of the total rights assigned) while the third objective is a "market base" component (with a weight of 40% of the total rights assigned) linked the measurement of Eurotech performance in terms of TST with reference to the FTSE Italia STAR index.

During 2021, 440,142 units were allocated.

	Year 2022			Year 2021		
	No. Units granted	Value of the assign units (€'000)	Value of the units for the period (€'000)	No. Units granted	Value of the assign units (€'000)	Value of the units for the period (€'000)
Perfonance Share Plan 2021						
Nr. Unit at the begining of the period	440,142	2,065	176	-	-	-
Nr. Unit Granted during period	-	-	-	440,142	2,065	147
Nr. Unit Cancelled during period	-	-	-	-	-	-
Nr. Unit assigned during period	-	-	-	-	-	-
Nr. Unit Outstanding at the end of the period	440,142	2,065	176	440,142	2,065	147

At the date of the consolidated half-year financial statements, the company had recorded a cost of €176 thousand in the income statement, whose contra entry was recognised in shareholders’ equity.
The overall fair value of the first cycle of the Plan, determined on the assignment date by the Board (grant date of the first cycle) was equal to €1,056 thousand and the portion recognised to date in 2021 and 2022 amounts to €323 thousand.

With reference to the second plan cycle, an allocation of the Unit is expected within the second half of the year.

"EUROTECH S.p.A. 2022 Incentive Plan" (hereinafter referred to as "PdI 2022")

On 28 April 2022, the Shareholders' Meeting of the Company approved adoption of a new incentive plan solely for individuals who have a directorship and/or a permanent employment relationship with Eurotech S.p.A. or one of its Subsidiaries; the plan is called "EUROTECH S.p.A. 2022 Incentive Plan".

The PdI 2022 provides that the beneficiaries identified by the Company's Board of Directors be assigned the right (known as Unit) to receive Eurotech S.p.A. shares free of charge (up to a maximum of 300,000 ordinary shares) provided that on the Assignment Date they maintain a relationship with the Company or one of its subsidiaries. The Units assigned are subject to a retention period lasting 3 (three) years starting from the respective Assignment Date and a subsequent Lock-Up Period of a further 2 (two) years for an amount equal to 20% of the shares granted; during the Retention period, the assigned Units cannot accrue unless the contract is terminated as a good leaver (for example: dismissed by the company not for just cause, death, the Beneficiary's retirement and loss of the condition of Subsidiary by the employer company of the Beneficiary).

The 57,000 Units, related to this plan, were allocated at the end of June, and their value for the half-year period is not significant.

32 – Events after the reporting period

No significant events have taken place after the end of the half-year and up to the date of approval.

33 – Seasonality of business activities

There are no significant seasonal trends in the sector in which the Group operates, but despite this, historically the Group has a higher concentration of revenues in the second half of the year. These higher sales are mainly due to the scheduling of purchases by customers. Also for the current year, a higher concentration of turnover is expected in the second half of the year.

Certification of the Condensed Consolidated Half-Year Financial Statements

Pursuant to Art. 154-bis, Paragraph 5 – Part IV, Title III, Chapter II, Section V-bis of Italian Legislative Decree no. 58 of 24 February 1998: "Consolidated Law on Finance, pursuant to Arts. 8 and 21 of Italian Law no. 52 of 6 February 1996".

1) We the undersigned, Paul Chawla, Chief Executive Officer, and Sandro Barazza, Financial Reporting Manager, for Eurotech S.p.A., pursuant to Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998 and subsequent amendments, hereby attest to:
   – the adequacy in relation to the characteristics of the company and
   – the effective application

   of the administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements for the period from 01.01.2022 to 30.06.2022.

2) Valuation of the adequacy of the administrative and accounting procedures for the formation of the consolidated half-year financial statements at 30 June 2022 is based on a model Eurotech defined in line with the CoSO framework (document in the CoSO Report) and also takes into account the document "Internal Control over Financial Reporting – Guidance for Smaller Public Companies", both prepared by the Committee of Sponsoring Organizations of the Treadway Commission that represent a generally accepted reference framework at international level. In this regard, no significant aspects emerged.

3) Moreover, we hereby attest that the condensed consolidated half-year financial statements:
   a) correspond to the results in the corporate books and accounting records;
   b) were prepared in compliance with the International Accounting Standards (IFRSs) recognised in the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and the Council, dated 19 July 2002;
   c) provide a fair and true representation of the assets, liabilities, financial position and profit or loss of companies included in the consolidation.

4) The Interim Management Report contains references to the significant events that occurred in the first six months of the year and their impact on the condensed consolidated half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year, as well as information on relevant transactions with related parties.

Amaro (UD), 6 September 2022

Eurotech S.p.A.

signed Paul Chawla
Chief Executive Officer

signed Sandro Barazza
Financial Reporting Manager

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REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Eurotech SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Eurotech SpA and its subsidiaries (the Eurotech Group) as of 30 June 2022 comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and related explanatory notes. The directors of Eurotech SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution n°10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the Eurotech Group as of 30 June 2022 are not prepared, in all material respects, in accordance with the International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Udine, 6 September 2022

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

PricewaterhouseCoopers SpA

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