consolidated interim financial report

at 30 june 2023

AT 30 JUNE 2023

eurotech
UNLEASHING THE POWER OF THE EDGE

This document has been translated into English
for the convenience of readers outside Italy.
The original Italian document should be considered
the authoritative version.

Date of issue: 7 September 2023
This report is available online
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	Luca di Giacomo
Deputy Chairperson	Aldo Fumagalli [1] [3]
Director	Paul Chawla
Director	Michela Costa [1] [2] [3] [4] [5]
Director	Marco Costaguta [1]
Director	Susanna Curti [1] [5]
Director	Alberta Gervasio [1]
Director	Simona Elena Pesce [1] [2] [3] [4] [5]
Director	Massimo Russo [1] [2] [4]

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 27 April 2023, and will remain in office until approval of the 2025 financial statements.

Board of Statutory Auditors	
Chairperson	Fabio Monti
Statutory Auditor	Laura Briganti
Statutory Auditor	Daniela Savi
Substitute Auditor	Clara Carbone
Substitute Auditor	Daniele Englaro

The Board of Statutory Auditors currently in office was appointed by shareholders at the Annual General Meeting of 27 April 2023, and will remain in office until approval of the 2025 financial statements.

Independent Auditor	
	Ernst & Young

The independent auditor was appointed for the period 2023-2031 by shareholders at the Annual General Meeting of 27 April 2023.

Corporate name and registered offices of the Parent Company	
	Eurotech S.p.A. Via Fratelli Solari 3/A 33020 Amaro (Udine), 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, have been listed since 30 November 2005 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 2023

Share capital	€8,878,946.00
Number of ordinary shares (without indication of nominal unit value)	35,515,784
Number of savings shares	-
Number of Eurotech S.p.A. ordinary treasury shares	255,606
Stock market capitalisation (based on the average share price in June 2023)	€97 million
Stock market capitalisation (based on the share price on 30 June 2023)	€99 million

Performance of Eurotech S.p.A. shares

Relative performance EUROTECH S.p.A.
01.01.2023 – 30.06.2023

The line chart 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 international 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 2023 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 2022.
Unless otherwise stated, data are expressed in thousands of euro.

Performance highlights

Financial data

(€'000) **OPERATING RESULTS**	H1 2023	%	H1 2022	%	% change
SALES REVENUES	47,895	100.0%	34,741	100.0%	37.9%
GROSS PROFIT MARGIN	22,298	46.6%	14,779	42.5%	50.9%
EBITDA	2,698	5.6%	(1,566)	-4.5%	272.3%
EBIT	13	0.0%	(3,990)	-11.5%	100.3%
PROFIT (LOSS) BEFORE TAXES	(188)	-0.4%	(4,318)	-12.4%	95.6%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	(939)	-2.0%	(4,263)	-12.3%	78.0%

Statement of financial position data

€'000 BALANCE SHEET AND FINANCIAL HIGHLIGHTS	at June 30, 2023	at December 31, 2022	at June 30, 2022
Non-current assets	**100,744**	**107,513**	**98,222**
- of which net intangible assets	88,291	93,620	85,741
- of which net tangible assets	7,139	7,425	4,440
Current assets	**57,553**	**68,237**	**59,024**
TOTAL ASSETS	**158,297**	**175,750**	**157,246**
Group shareholders' equity	**99,552**	**106,515**	**105,240**
Non-current liabilities	**22,404**	**23,140**	**19,372**
Current liabilities	**36,341**	**46,095**	**32,634**
TOTAL LIABILITIES AND EQUITY	**158,297**	**175,750**	**157,246**

€'000	at June 30, 2023	at December 31, 2022
(NET FINANCIAL POSITION) NET DEBT	**18,658**	**14,421**
NET WORKING CAPITAL	**23,285**	**19,944**
NET INVESTED CAPITAL*	**118,210**	**120,936**
CASH FLOW DATA		
Cash flow generated (used) in operations	(721)	(1,608)
Cash flow generated (used) in investment activities	(1,766)	(13,396)
Cash flow generated (absorbed) by financial assets	(3,146)	1,605
Net foreign exchange difference	(707)	(195)
TOTAL CASH FLOW	**(6,340)**	**(13,594)**

(*) Non-current, non-financial assets, including investments in affiliates and other companies and net working capital, minus non-current, non-financial liabilities.

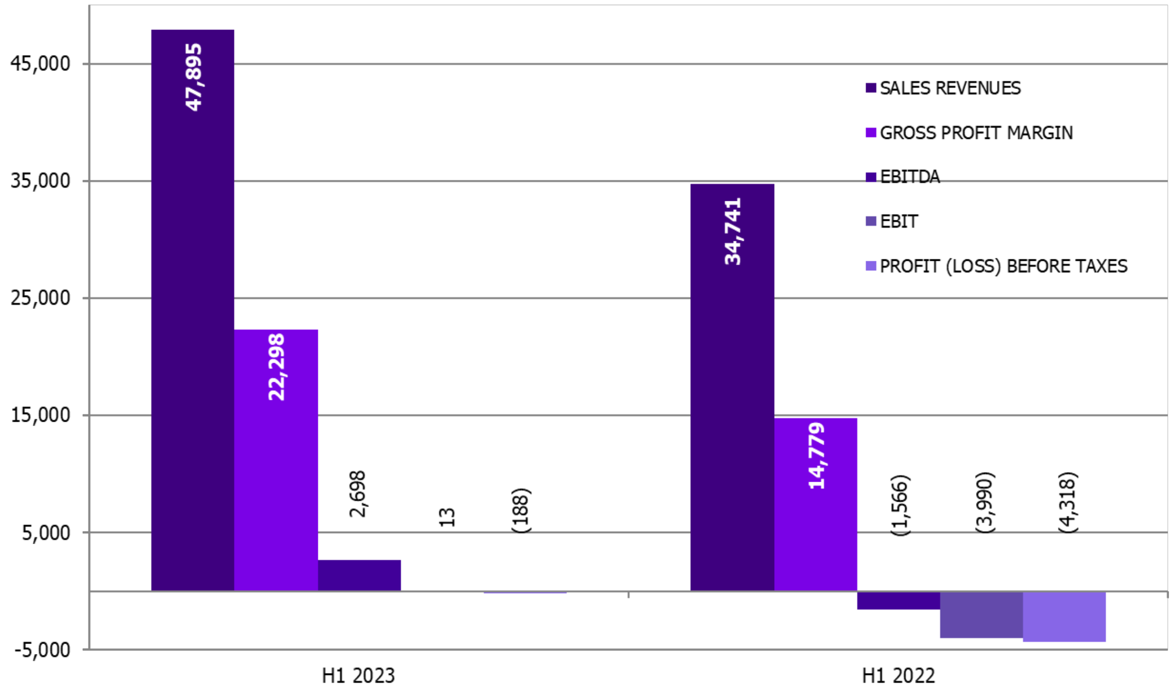
Number of employees

	at June 30, 2023	at December 31, 2022	at June 30, 2022
EMPLOYEES	395	398	316

Revenues by geographic business area

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	H1 2023	H1 2022	% YoY Change	H1 2023	H1 2022	% YoY Change	H1 2023	H1 2022	% YoY Change	H1 2023	H1 2022	% YoY Change	H1 2023	H1 2022	% YoY Change
Third party Sales	16,732	15,666		18,446	7,061		12,717	12,014		0	0		47,895	34,741	
Infra-sector Sales	581	794		2,341	2,948		30	22		(2,952)	(3,764)		0	0	
Total Sales revenues	17,313	16,460	5.2%	20,787	10,009	107.7%	12,747	12,036	5.9%	(2,952)	(3,764)	-21.6%	47,895	34,741	37.9%

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 2022 we were present for the fourth 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 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 (IEC 62443-4-1 AND IEC 62443-4-2).

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;
- Industrial PC (IPC), which represent the main offering of InoNet Computer GmbH, the German subsidiary acquired in September 2022;
- 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 computers, i.e. rugged computing units located in the field, close to the assets and dedicated to local processing of the data they generate;
- Edge AI appliance, i.e. high-performance systems with integrated hardware and software to safely and remotely 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 four vertical markets combining larger size and higher growth rates in the future years: industrial automation, transport & off-road, medical, renewable energies & networks for energy-gas-water.

At 30 June 2023, the Eurotech Group consisted of the following companies:

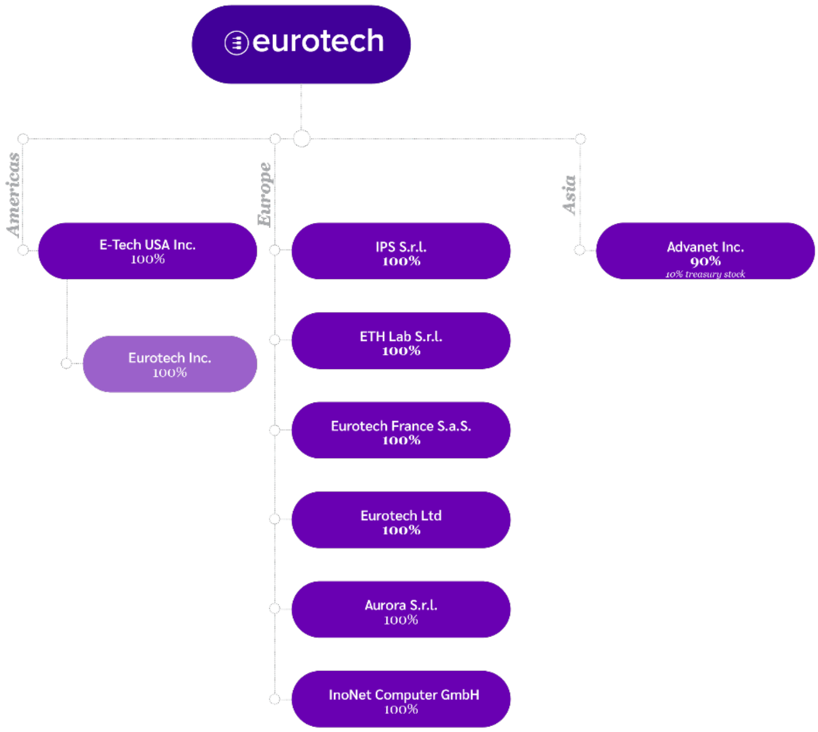
Company name	Business activity	Share capital	Group share
Parent company			
Eurotech S.p.A.	Operates in the "Modules and Platform" segment focusing on the Edge Computer and "IoT" technology market, predominantly in the Italian and EMEA markets. In terms of organisation, it	€8,878,946	

	performs the role of industrial holding coordinating all subsidiaries of the Eurotech Group.		

Subsidiaries and consolidated companies on a line-by-line basis

Aurora S.r.l. in liquidation	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. in liquidation	Operates in the Italian market under the IPS brand	€51,480	100.00%
InoNet Computer GmbH	It operates under the InoNet brand in the DATCH market, providing highly reliable, powerful and robust industrial PCs	€250,000	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 Advanet Inc holds the remaining 10% in the form of treasury shares.


eurotech
Americas
Europe
Asia
E-Tech USA Inc.
100%
Eurotech Inc.
100%
IPS S.r.l.
100%
ETH Lab S.r.l.
100%
Eurotech France S.a.S.
100%
Eurotech Ltd
100%
Aurora S.r.l.
100%
InoNet Computer GmbH
100%
Advanet Inc.
90%
10% treasury stock

Operating performance

(€'000) OPERATING RESULTS	H1 2023	%	H1 2022	%	% change
SALES REVENUES	47,895	100.0%	34,741	100.0%	37.9%
GROSS PROFIT MARGIN	22,298	46.6%	14,779	42.5%	50.9%
EBITDA	2,698	5.6%	(1,566)	-4.5%	272.3%
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GROUP NET PROFIT (LOSS) FOR THE PERIOD	(939)	-2.0%	(4,263)	-12.3%	78.0%

(*) **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.

Revenues in the half-year continued to grow, as it did in the first quarter, due to both organic and inorganic growth. Revenus in the first six months of 2023 amounted to €47.89 million compared to €34.74 million in the first half of 2022, with a growth of 37.9%. The increase at constant exchange rates would have been 41.2%. On a like-for-like basis, in consideration of the fact that the German company InoNet was acquired in September 2022 and consequently was not included in the consolidation in first half of 2022, the increase is in any case of 16.6% at constant exchange rates (+13.8% at historical exchange rates).
The Edge AIoT business was for the first time the driving one, contributing more to the growth trend. Compared to the first half of 2022, there was an increase of over 50% considering the old perimeter (without InoNet contribution) and of over 300% when considering the new corporate structure.

Looking at the **breakdown of revenues** by geographic area of the Group's activities, with the inclusion of the Germany company the European areas has become the most significant with 38.5% of the total figure (H1 2022: 20.3%); the US remains in second place with a contribution of 34.9% (H1 2022: 45.1%); lastly, the Japanese area accounts for the remaining 26.6% (H1 2021: 34.6%).

The **Gross profit margin** for the period amounted to €22.30 million, with an incidence on revenues of 46.6%. In percentage terms, this compares with 45.0% in the 12 months of 2022 and 42.5% in the first half of 2022.
The increase in the percentage margin is mainly due to the significant reduction in the previous year's effects relating to the higher costs incurred to purchase some difficult-to-source components in order to be able to deliver the products to customers; the higher procurement costs (PPV) incurred to meet the deadlines agreed with the customer were not always charged in full to the customers in the past year. In addition to this effect, the different product mix sold affected the margins percentage, too: in fact, a different margin was achieved in the Japanese area, which last year recorded a significant temporary deviation from the historical trend. On a like-for-like basis, margins rose to 47.8% compared to 42.5% in the first half of 2022. With the integration of InoNet, which still operates on lower - albeit growing - margins, the total primary gross margin stood at 46.6% of revenues.

Operating expenses before adjustments made for capitalization of development activities of €1.64 million in the first six months of the year (€1.41 million in the first half of 2022) amounted to €21.38 million, compared to €17.90 million in the first half of 2022. The increase of €3.48 million is mainly due to the change in the scope of consolidation: InoNet contribution, in fact, amounted to €3.07 million.
At historical exchange rates and net of the change in the scope of consolidation, there was an increase in costs of 2.2%, which corresponds to 4.2% at constant exchange rates. The increase in operating costs was primarily in the United States region, and in the Research & Development function across geographies. The increase on costs is linked to the activities to attract and retain talents in a highly competitive environment for profiles with skills on SW development and digital technologies in general.
As at 30 June 2023, the number of employees was 395 (it was 398 at 31 December 2022 and 316 at 30 June 2022), with an average for the period of 395 units (320 in the first half of 2022). Personnel costs rose from €10.43 million (€10.17 million at constant exchange rates) to €10.56 million, with an effective growth of 1.2%, mainly linked to the different cost of new personnel, which include some of most in-demand professional profiles in the market today.
The incidence of gross operating costs on revenues was 44.6% compared to 51.8% in the first half of 2022.

Operating margins for the half-year are correlated to the revenues level and the gross margin value, demonstrating how an increase in the Group's turnover generates the operating leverage that allowed the achievement of positive results in 2023 compared to the first half of 2022.

In the first half of 2023, **EBITDA** amounted to €2.70 million (5.6% of revenue), compared to €-1.57 million in 2022 (-4.5% of revenue).

In the first half, **EBIT**, i.e. the operating result, was essentially in break-even at €13 thousand compared to €-3.99 million in the first half of 2022 (-11.5% 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 2023, deriving from operating assets becoming subject to depreciation and amortisation in that same period.

The recognition of intangible assets amortisation and the depreciation of property, plant and equipment had a €2.68 million impact compared to €2.42 million in the same period of 2022.

Financial management in the first six months of 2023 showed a negative result of €0.20 million, a slight improvement over the negative value of €0.33 million in the first six months of 2022. The value for 2023 was affected by the different currency trend, which resulted in a positive net exchange rate effect of €0.22 million compared to a negative value of €0.15 million in 2022. Financial management relating to interest accounted for €0.47 million, a value higher than the first half of 2022 (€0.12 million) mainly due to the interest rates increase on loans payable contracted at variable rates and not subject to hedging policies.

Pre-tax loss was €0.19 million compared to a still negative result of €4.32 million in the first six months of 2022. 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 negative €0.75 million. No deferred tax assets were recognised on the period results of the Italian and English companies.

The **net result** for the Group was €-0.94 million (it was negative for €4.26 million in the first six months of 2022) and its ratio to revenue was -2.0%.

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.

The development 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 2023	H1 2022	% YoY Change	H1 2023	H1 2022	% YoY Change	H1 2023	H1 2022	% YoY Change	H1 2023	H1 2022	% YoY Change	H1 2023	H1 2022	% YoY Change
Third party Sales	16,732	15,666		18,446	7,061		12,717	12,014		0	0		47,895	34,741	
Infra-sector Sales	581	794		2,341	2,948		30	22		(2,952)	(3,764)		0	0	
Total Sales revenues	17,313	16,460	5.2%	20,787	10,009	107.7%	12,747	12,036	5.9%	(2,952)	(3,764)	21.6%	47,895	34,741	37.9%
Gross profit	8,086	10,523	-23.2%	8,489	7,827	8.5%	6,255	10,523	-40.6%	(532)	(14,094)	-96.2%	22,298	14,779	50.9%
Gross profit margin - %	46.7%	63.9%		40.8%	78.2%		49.1%	87.4%					46.6%	42.5%	
EBITDA													2,698	(1,566)	-272.3%
EBITDA margin - %													5.6%	-4.5%	
EBIT													13	(3,990)	-100.3%
EBIT margin - %													0.0%	-11.5%	

North American revenues amounted to €17.31 million in the first half of 2023 and €16.46 million in the first half of 2022, increased by 5.2% including inter-segment revenues. The result obtained is due to the volume of orders collected last year and, due to the current order portfolio, the same level of revenues is not expected in the second half of the year, particularly due to the destocking actions of a major customer. As already emerged and highlighted in the annual report of previous years, 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 marked increase in turnover, 107.7% for the half-year, from €10.01 million in the first half of 2022 to €20.79 million in the first half of 2023. This growth is significantly influenced by the revenues consolidation of the German subsidiary InoNet Computer GmbH from September 2022. In any case, with the same consolidation area, internal growth would have been 24.2%. This is also the area that showed the greatest growth in Edge AIoT.
The Asia business area shows continuing growth, indeed, increasing turnover by 5.9%, reaching a value of €12.75 million. The outlook for the second half of the year remains positive, although this is the area at greatest risk of production delays due to continuing shortages of some high-end electronic components.

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

(€' 000)	H1 2023	%	H1 2022	%	% change
SALES BY TYPE					
Industrial revenues	42,690	89.1%	29,236	84.2%	46.0%
Services revenues	5,205	10.9%	5,505	15.8%	-5.4%
TOTALE SALES AND SERVICE REVENUES	**47,895**	**100.0%**	**34,741**	**100.0%**	**37.9%**

Down by 5.4% semester on semester, the reduction in revenues for services is due to the lower engineering services for customisation for embedded projects linked to specific customers, while the amount of recurring revenues deriving from software and from professional services provided in the initial phases of new IoT projects remains constant.

The **regional breakdown of revenues** by customer location is shown below:

(€' 000) BREAKDOWN BY GEOGRAPHIC AREA	H1 2023	%	H1 2022	%	% change
European Union	17,561	36.7%	5,462	15.7%	221.5%
United States	16,040	33.5%	15,168	43.7%	5.7%
Japan	12,674	26.5%	11,915	34.3%	6.4%
Other	1,620	3.4%	2,196	6.3%	-26.2%
TOTAL SALES AND SERVICE REVENUE	**47,895**	**100.0%**	**34,741**	**100.0%**	**37.9%**

Based on the breakdown of revenues by customer geographic area, it should be noted that revenues in the European Union territory increased by 221.5%, making this the predominant area, accounting for 36.7% of total revenues in first half of 2023. The contribution deriving from the newly consolidated InoNet was significant in making this the most significant area.
The US area increased by 5.7% and is the Group's second most important area with an incidence of 33.5%.
Despite the 6.4% increase, the Japan area is the Group's third most significant area, with an incidence of 26.5%.
On the other hand, the remaining geographic areas decreased (-26.2%) and accounted for 3.4% of the total turnover in H1 2023.

Statement of financial position

Non-current assets

(€'000)	at June 30, 2023	at December 31, 2022	Changes
Intangible assets	88,291	93,620	(5,329)
Property, Plant and equipment	7,139	7,425	(286)
Investments in affiliate companies	4	-	4
Investments in other companies	547	549	(2)
Deferred tax assets	4,267	5,301	(1,034)
Medium/long term borrowing allowed to affiliates companies and other companies	-	66	(66)
Other non-current assets	496	552	(56)
Total non-current assets	**100,744**	**107,513**	**(6,769)**

The “Non-current assets” item shown in the table above decreased from €107.51 million in the financial year 2022 to €100.74 million in the first half of 2023. The change mainly reflects the 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 and the reduction in deferred tax assets due to the effect of the estimate of taxes for the period.

The Group's main investments are made in the following macro items:

(€'000)	at June 30, 2023	at December 31, 2022
Intangible assets	1,722	3,660
Property, plant and equipment	771	267
Investments	4	-
TOTAL MAIN INVESTMENTS	**2,496**	**3,927**

Current assets

(€'000)	at June 30, 2023	at December 31, 2022	Changes
Inventories	26,345	26,854	(509)
Trade receivables	15,712	19,906	(4,194)
Income tax receivables	1,396	749	647
Other current assets	2,019	2,274	(255)
Other current financial assets	136	139	(3)
Derivative instruments	175	205	(30)
Cash & cash equivalents	11,770	18,110	(6,340)
Total current assets	**57,553**	**68,237**	**(10,684)**

Current assets decreased compared to 31 December 2022: from €68.24 million at 31 December 2022 to €57.55 million in the first half of 2023.

The most significant items that changed were trade receivables and cash and cash equivalents.
The reduction in accounts receivable results from the collection of trade receivables generated in the fourth quarter of 2022, a period when the company had experienced a particularly positive revenue performance.
The reduction in cash and cash equivalents is mainly due to operating performance, an increase in working capital, and the repayment of loan installments. More information on the dynamics of cash and cash equivalents can be found in the cash flow statement.
Inventory is essentially stable when compared at constant exchange rates since a large part of the total reduction in inventory (i.e., €392 thousand out of a total reduction of €509 thousand) is due to the exchange rate effect. Productions scheduled for the coming months are expected to significantly reduce the value of inventory by the end of the year.

Net working capital

Net working capital shows the following evolution in the period:

(€'000)	**at June 30, 2023 (b)**	**at December 31, 2022 (a)**	**at June 30, 2022**	**Changes (b-a)**
Inventories	26,345	26,854	23,618	(509)
Trade receivables	15,712	19,906	10,881	(4,194)
Income tax receivables	1,396	749	624	647
Other current assets	2,019	2,274	2,363	(255)
Current assets	**45,472**	**49,783**	**37,486**	**(4,311)**
Trade payables	(14,233)	(19,780)	(17,165)	5,547
Income tax liabilities	(745)	(1,449)	(375)	704
Other current liabilities	(7,209)	(8,610)	(6,537)	1,401
Current liabilities	**(22,187)**	**(29,839)**	**(24,077)**	**7,652**
Net working capital	**23,285**	**19,944**	**13,409**	**3,341**

The increase in net working capital compared to December 31, 2022 is mainly due to a greater reduction in current liabilities than current assets. Specifically, against a reduction in trade payables of €5.55 million and other current liabilities of €1.40 million, the reduction in trade receivables was only €4.19 million.
This unbalanced dynamic stems from forecast-based component purchases agreed with suppliers between late 2021 and early 2022 to counter the shortage phenomenon. Today, early deliveries of these component orders compared to their actual use, which will materialize over the next two quarters, have created a temporary time lag between payment of accounts payable to suppliers and collection of receivables from customers, with the aim of reabsorbing it by year-end.
Net working capital as a percentage of revenues for the last twelve rolling months was 21.7%, compared to 21.2% as of December 31, 2022 and 18.8% as of June 30, 2022. The twelve-month figure remains in line with the threshold value of 20%, management's desired target.

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, 2023	at December 31, 2022	at June 30, 2022
Cash	A	11,770	18,110	21,278
Cash equivalents	B	-	-	-
Other current financial assets	C	311	344	260
Cash equivalent	**D=A+B+C**	**12,081**	**18,454**	**21,538**
Current financial debt	E	2,241	2,241	226
Current portion of non-current financial debt	F	11,913	14,015	8,331
Short-term financial position	**G=E+F**	**14,154**	**16,256**	**8,557**
Short-term net financial position	**H=G-D**	**2,073**	**(2,198)**	**(12,981)**
Non current financial debt	I	15,685	15,785	12,778
Debt instrument	J	-	-	-
Trade payables and other non-current payables	K	900	900	-
Medium-/long-term net financial position	**L=I+J+K**	**16,585**	**16,685**	**12,778**
(NET FINANCIAL POSITION) NET DEBT ESMA	**M=H+L**	**18,658**	**14,487**	**(203)**
Medium/long term borrowing allowed to affiliates companies and other Group companies	N	-	66	68
(NET FINANCIAL POSITION) NET DEBT	**O=M-N**	**18,658**	**14,421**	**(271)**

The consolidated net financial position as at 30 June 2023 amounted to a net financial debt of €18.66 million, compared to a net financial debt of €14.42 million as at 31 December 2022.
With reference to liquidity, which amounted to €11.77 million, in the period under review, as shown in the cash flow statement, operating cash was used in the amount of €0.72 million (mainly to support working capital), while €1.77 million were used for investments and €3.1 million for net repayment of loans.

Cash flows

(€'000)		at June 30, 2023	at June 30, 2022
Cash flow generated (used) in operations	A	(721)	(5,379)
Cash flow generated (used) in investment activities	B	(1,766)	(1,316)
Cash flow generated (absorbed) by financial assets	C	(3,146)	(4,165)
Net foreign exchange difference	D	(707)	434
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(6,340)	(10,426)
Opening amount in cash & cash equivalents		**18,110**	**31,704**
Cash & cash equivalents at end of period		**11,770**	**21,278**

Investments and research & development

At 30 June 2023, technical investments (property, plant and equipment) in buildings, plants, equipment and instruments amounted to €111 thousand, while investments in other assets amounted to €57 thousand and those related to "right of use" amounted to €601 thousand. In addition, in the six-month period, the Group has bought production-related software licences for €49 thousand and made improvements on leased assets for €111 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 €1.56 million (€1.40 million in the first half of 2022).

Competitive scenario, outlook and future growth strategy

There are still some electronic components shortages that are expected to last at least until the end of the year, even if general availability have considerably improved. Attention to the global scenario evolution is high both because of the various impacts that might be reflected on the supply chain of our customers and suppliers and to monitor the evolution of customer orders after an over-stocking period.

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 solutions with use of rugged devices
- focusing on vertical markets and sectors in which IT-OT integration is most valued
- creating growth both organically and through external lines, i.e. through the acquisition of new entities
- 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 225,606 treasury shares at the end of the reporting period. During the first half of 2023, 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 plans.

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 with reference to the fiscal year ending 31 December 2022 as an independent document, approved by the Board of Directors on 15 March 2023 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 refers 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/Shareholders' 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

Russia-Ukraine Conflict

More than one year after the outbreak of the conflict in Ukraine, the Eurotech Group continues to closely monitor developments and possible risks that may arise from it. The Eurotech Group did not have and continues to have 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 above mentioned geographic areas.
With reference to the indirect effects resulting from the conflict, these are difficult to quantify, but can be summarised in the those resulting from interruptions or delays in the supply of some 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.

Events after the reporting period

No significant events took place after the reporting date and up to 7 September 2023.

Condensed consolidated half-year financial statements at 30 June 2023

Consolidated statement of financial position

(€'000)	Notes	at June 30, 2023	of which related parties	at December 31, 2022	of which related parties
Intangible assets	1	88,291		93,620	
Property, Plant and equipment	2	7,139		7,425	
Investments in affiliate companies	3	4		-	
Investments in other companies	3	547		549	
Deferred tax assets	27	4,267		5,301	
Medium/long term borrowing allowed to affiliates companies and other companies		-	-	66	66
Other non-current assets		496		552	
Total non-current assets		**100,744**		**107,513**	
Inventories	4	26,345		26,854	
Trade receivables	5	15,712	1	19,906	8
Income tax receivables	6	1,396		749	
Other current assets	7	2,019		2,274	
Other current financial assets	8	136		139	3
Derivative instruments	31	175		205	
Cash & cash equivalents	9	11,770		18,110	
Total current assets		**57,553**		**68,237**	
Total assets		**158,297**		**175,750**	
LIABILITIES AND EQUITY					
Share capital		8,879		8,879	
Share premium reserve		136,400		136,400	
Other reserves		(45,727)		(38,764)	
Group shareholders' equity	**11**	**99,552**		**106,515**	
Equity attributable to minority interest	**11**	**-**		**-**	
Total shareholders' equity	**11**	**99,552**		**106,515**	
Medium-/long-term borrowing	13	15,685		15,785	
Employee benefit obligations	14	2,336		2,504	
Deferred tax liabilities	27	2,587		2,952	
Other non-current liabilities	15	896		999	
Business combination liabilities	18	900		900	
Total non-current liabilities		**22,404**		**23,140**	
Trade payables	16	14,233	205	19,780	117
Short-term borrowing	13	14,154		16,256	
Income tax liabilities	6	745		1,449	
Other current liabilities	17	7,209		8,610	
Total current liabilities		**36,341**		**46,095**	
Total liabilities		**58,745**		**69,235**	
Total liabilities and equity		**158,297**		**175,750**	

Consolidated income statement

(Migliaia di Euro)	Notes	H1 2023	of which related parties	H1 2022	of which related parties
Revenues from sales of products and services	D	47,895	4	34,741	4
Other revenues	24	136		144	
Cost of materials	19	(25,597)	(310)	(19,962)	(300)
Service costs	21	(7,407)		(6,726)	
Lease & hire costs		(386)		(370)	
Payroll costs	22	(13,052)		(10,428)	
Other provisions and other costs		(531)		(378)	
Cost adjustments for in-house generation of non-current assets	23	1,640		1,413	
Depreciation & amortisation	25	(2,685)		(2,424)	
Operating profit		**13**		**(3,990)**	
Finance expense	26	(1,410)		(1,289)	
Finance income	26	1,209	-	961	1
Profit before taxes		**(188)**		**(4,318)**	
Income tax	27	(751)		55	
Net profit (loss)		**(939)**		**(4,263)**	
Minority interest		**-**		**-**	
Group net profit (loss) for period		**(939)**		**(4,263)**	
Base earnings (losses) per share	**12**	**(0.027)**		**(0.120)**	
Diluted earnings (losses) per share	**12**	**(0.027)**		**(0.120)**	

Consolidated statement of comprehensive income

(€'000)	Notes	H1 2023	H1 2022
Net profit (loss) before minority inerest (A)		**(939)**	**(4,263)**
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	28/31	(30)	127
Tax effect		-	-
		(30)	127
Foreign balance sheets conversion difference	28	(5,731)	(4,278)
Exchange differences on equity investments in foreign companies	11/28	(539)	3,042
Tax effect		-	-
		(539)	3,042
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)		***(6,300)***	***(1,109)***
Comprehensive net result (A+B+C)		**(7,239)**	**(5,372)**
Comprehensive minority interest		**-**	**-**
Comprehensive Group net profit (loss) for period		**(7,239)**	**(5,372)**

Consolidated statement of changes in equity

(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 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	-	-	-	-		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	-	-	-	-	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**

(€'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, 2022		**8,879**	**1,776**	**136,400**	**5,998**	**(49,878)**	**205**	**(445)**	**5,829**	**(703)**	**(1,546)**	**106,515**	**-**	**106,515**
2022 Result allocation		-	-	-	-	(1,546)	-	-	-	-	1,546	-	-	-
Profit (loss) as at June 30, 2023		-	-	-	-	-	-	-	-	-	(939)	(939)	-	(939)
Comprehensive other profit (loss):														
- Hedge transactions	30	-	-	-	-		(30)	-	-	-	-	(30)	-	(30)
- Actuarial gains/(losses) on defined benefit plans for employees		-	-	-	-	-	-	-	-	-	-	-	-	-
- Foreign balance sheets conversion difference		-	-	-	(5,731)	-			-	-	-	(5,731)	-	(5,731)
- Exchange differences on equity investments in foreign companies		-	-	-	-	625	-	-	(1,164)	-	-	(539)	-	(539)
Total Comprehensive result		**-**	**-**	**-**	**(5,731)**	**625**	**(30)**	**-**	**(1,164)**	**-**	**(939)**	**(7,239)**	**-**	**(7,239)**
- Performance Share Plan	31	-	-	-	-	276	-	-	-	-	-	276	-	276
Balance as at June 30, 2023		**8,879**	**1,776**	**136,400**	**267**	**(50,523)**	**175**	**(445)**	**4,665**	**(703)**	**(939)**	**99,552**	**-**	**99,552**

Consolidated cash flow statement

CONSOLIDATED STATEMENT OF CASH FLOWS (€'000)	Notes	at June 30, 2023	of which related parties	at June 30, 2022	of which related parties
CASH FLOWS GENERATED BY OPERATIONS:					
Group net profit (loss) for period		**(939)**		**(4,263)**	
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:					
Depreciation & amortization intangible assets, property, plant and equipment	25	2,685		2,424	
Write-down of receivables	5	29		6	
Interest income	26	(2)		(1)	
Interest expenses	26	474		190	
Income taxes (paid) get		-		(2)	
Income taxes of the period	27	(751)		(55)	
Stock Grant expenses	32	276		176	
Provision for (use of) cumulative inventory write-down	4	(998)		(196)	
Provision for (use of) long-term employee severance indemnities	14	(168)		(160)	
Provision for (use of) risk provision	15	(103)		(558)	
Changes in current assets and liabilities					
Trade receivables	5	3,936	(1)	156	(2)
Other current assets	7	(371)		(197)	
Inventories and contracts in process	4	1,115		(5,692)	
Trade payables	16	(5,285)	(487)	4,255	(184)
Other current liabilities	17	(619)		(1,462)	
Total adjustments and changes		**218**		**(1,116)**	
Cash flow generated (used) in operations		**(721)**		**(5,379)**	
CASH FLOW FROM INVESTMENT ACTIVITIES:					
Disposal of intangible assets					
Sales of tangible and intangible assets	1/2	0		15	
Interest income	26	2		1	
Purchase of intangible fixed assets	1	(1,722)		(1,437)	
Purchase of tangible fixed assets	2	(170)		(172)	
Decreases (Increases) other financial assets	8	3		(16)	
Net investments in long-term investments and non-current assets		120		(72)	
Cash flow generated (used) by non-current assets classified as held for sale		-		365	
Cash flow generated (used) in investment activities		**(1,766)**		**(1,316)**	
CASH FLOW FROM FINANCING ACTIVITIES:					
Loans taken	13	4,891		-	
Interest paid		(474)		(190)	
(Repaid) loans short and medium/long term	13	(7,563)		(3,975)	
Cash flow generated (absorbed) by financial assets		**(3,146)**		**(4,165)**	
Net foreign exchange difference		(707)		434	
Increases (decreases) in cash & cash equivalents		**(6,340)**		**(10,426)**	
Opening amount in cash & cash equivalents	9	**18,110**		**31,704**	
Cash & cash equivalents at end of period	9	**11,770**		**21,278**	

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 2023 was authorised by resolution of the Board of Directors on 7 September 2023. 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 energy 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 international 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 2023 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 2022.
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 2022.
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 2022. The sole exception is for the adoption of new accounting standards, amendments and interpretations in force from 1 January 2023.

Following are the standards, amendments and interpretations that became effective as of 1 January 2023 and that were applicable for the first time to the condensed consolidated half-year financial statements at 30 June 2023. 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:

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - On 12 February 2021, the IASB published "Definition of Accounting Estimates (Amendments to IAS 8)" which replaced the definition of changes in accounting estimates with a definition in accounting estimates. 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 had no impact on the group's condensed consolidated half-year financial statements.

Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2 (Making Materiality Judgements) – The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and by adding guidance on how entities apply the concept of materiality in making accounting policy disclosure decisions. The amendments had no impact on the Group's condensed interim consolidated financial statements, but are expected to affect the disclosure of accounting policies in the Group's annual consolidated financial statements.

IAS 12 Income taxes – The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's condensed interim consolidated financial statements.

Amendments to IFRS 17 Insurance contracts - On 25 June 2020, the IASB published amendments aimed at reducing costs, simplifying some of the standard requirements, making it easier to illustrate financial services and facilitating transition, by postponing the date of entry into force of the standard to 2023 and providing additional help to reduce the effort required when applying the standard for the first time.

Initial application of IFRS 17 and IFRS 9 – comparative information – On 9 December 2021, the IASB published a further 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.

The condensed consolidated half-year financial statements at 30 June 2023 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.

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 economic trends, the 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 certain 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 2023 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. in liquidation	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. in liquidation	Via Fratelli Solari, 3/A – Amaro (UD)	€	51,480	100.00%
InoNet Computer GmbH	Taufkirchen (Germany)	€	250,000	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%
Insulab S.r.l.	Viale Umberto I 24/C – Sassari	40.00%
Other smaller companies valued at cost		
Kairos Autonomi Inc.	Sandy – UT (USA)	19.00%
Interlogica S.r.l.	Mestre (VE)	10.00%

The changes with regard to subsidiaries and affiliates compared with 31 December 2022 are as follows:

- 09.05.2023 Establishment of the company Insulab S.r.l. with registered office in Sassari with a shareholding of 40% of the share capital
- 07.06.2023 Placement in liquidation of the company Aurora S.r.l.

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 Bank of Italy:

Currency	Average 6M 2023	As of June 30, 2023	Average 12M 2022	As of December 31, 2022	Average 6M 2022	As of June 30, 2022
British pound sterling	0.87638	0.85828	0.85276	0.88693	0.84240	0.85820
Japanese Yen	145.76039	157.16000	138.02739	140.66000	134.30709	141.54000
USA Dollar	1.08066	1.08660	1.05305	1.06660	1.09339	1.03870

D – Segment reporting

For management purposes, the Group considers only one business sector as relevant: the "Modules 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 2023	H1 2022	% YoY Change	H1 2023	H1 2022	% YoY Change	H1 2023	H1 2022	% YoY Change	H1 2023	H1 2022	% YoY Change	H1 2023	H1 2022	% YoY Change
Third party Sales	16,732	15,666		18,446	7,061		12,717	12,014		0	0		47,895	34,741	
Infra-sector Sales	581	794		2,341	2,948		30	22		(2,952)	(3,764)		0	0	
Total Sales revenues	17,313	16,460	5.2%	20,787	10,009	107.7%	12,747	12,036	5.9%	(2,952)	(3,764)	-21.6%	47,895	34,741	37.9%

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 2023 and 31 December 2022.

(€'000)	North America		Europe		Asia		Correction, reversal and elimination		Total	
	H1 2023	FY 2022	H1 2023	FY 2022	H1 2023	FY 2022	H1 2023	FY 2022	H1 2023	FY 2022
Assets and liabilites										
Segment assets	42,989	48,009	84,284	92,208	67,034	76,591	-36,561	-41,607	157,746	175,201
Investments in subsidiaries non consolidated, associate & other companies	121	123	430	426	0	0	0	0	551	549
Total assets	**43,110**	**48,132**	**84,714**	**92,634**	**67,034**	**76,591**	**-36,561**	**-41,607**	**158,297**	**175,750**
Segment liabilities	33,646	40,569	43,382	47,670	18,226	22,558	-36,509	-41,562	58,745	69,235
Total liabilities	**33,646**	**40,569**	**43,382**	**47,670**	**18,226**	**22,558**	**-36,509**	**-41,562**	**58,745**	**69,235**
Other segment information										
Investments in tangible assets	6	30	444	193	321	44	0	0	771	267
Investments in intangible assets	85	334	1,604	3,138	33	188	0	0	1,722	3,660
Depreciation & amortisation	518	1,081	1,635	3,269	574	1,263	-42	-100	2,685	5,513

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	21,495	84,299	24,011	2,843	26,080	158,728
Previous years' impairment	(778)	(8,528)	(8,065)	(56)	-	(17,427)
Previous years' amortisation	(14,458)	-	(7,143)	-	(26,080)	(47,681)
OPENING BALANCE	**6,259**	**75,771**	**8,803**	**2,787**	**-**	**93,620**
Purchases / Additions	26	-	49	1,536	111	1,722
Disposals	-	-	-	-	(6)	(6)
Other changes	(247)	(4,546)	(988)	(1)	(2,465)	(8,246)
Transfers	1,820	-	-	(1,889)	69	-
Amortisation in period	(1,486)	-	(225)	-	(7)	(1,718)
Reversal of cumulative amortisation	-	-	-	-	6	6
Other changes in cumulative impairment	-	126	(49)	-	-	76
Other changes in cumulative amortisation	218	-	176	-	2,443	2,837
TOTAL CHANGES	**332**	**(4,420)**	**(1,038)**	**(354)**	**152**	**(5,329)**
Purchase or production costs	23,094	79,753	23,072	2,489	23,789	152,197
Impairment	(778)	(8,402)	(8,114)	(56)	-	(17,351)
Cumulative amortisation	(15,726)	-	(7,192)	-	(23,637)	(46,555)
CLOSING BALANCE	**6,591**	**71,351**	**7,765**	**2,433**	**152**	**88,291**

The decrease of €5.32 million is attributable to a combination of new investments totalling €1.72 million, a negative foreign exchange effect of €5.33 million and amortisation of €1.72 million registered in the first half-year. The total amount in fact went from €93.62 million last year to €88.29 million at the end of the first half of 2023.

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, which total net value is €5,333 thousand.

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, 2023		at December 31, 2022	
Cash generating units	**Goodwill**	**Trademark with an indefinite useful life**	**Goodwill**	**Trademark with an indefinite useful life**
Advanet Inc.	35,484	6,738	39,647	7,529
Inonet Computer Gmbh	8,113	-	8,113	-
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	22,576	-	22,997	-
Eurotech Ltd. (ex Arcom Ltd.)	5,088	-	4,924	-
Other	90	-	90	-
TOTAL	**71,351**	**6,738**	**75,771**	**7,529**

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.

Goodwill refers to the higher total value paid at the time of acquisition of the investee companies consolidated on a line-by-line basis with respect to the fair value of the assets and liabilities acquired from time to time.
With reference to the goodwill deriving from the InoNet acquisition, the provisional allocation resulted in a value of €8,113 thousand. As required by IFRS 3, a specific analysis of the consideration paid will be carried out within 12 months of the acquisition date in order to determine the fair value of the net assets acquired and liabilities assumed. If a different price paid allocation is identified at the end of this process, also in terms of property, plant and equipment and intangible assets with definite useful life, the provisional amounts recognised on acquisition will be adjusted with retroactive effect to the date of acquisition.

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 2023, the valuation processes conducted at 31 December 2022 and approved by the BoD on 7 March 2023, which were carried out with the support of independent experts.

The directors confirmed that, at this report reference date, there are no impairment indicators such as to make it necessary to carry out again the valuations carried out in preparation of the financial statements as at 31 December 2022 for the various CGUs. In particular, it was established that: (i) on the basis of the first half-year results, the closing forecasts for the year 2023 and the information currently available for subsequent years; (ii) despite the current geopolitical context, determined by both the events relating to the Russia-Ukraine conflict and the global economic situation, interest rates and government bond yields have not changed significantly compared to the values used to determine the WACC values used to determine the impairment test result of the various CGUs. The analyses carried out at the end of 2022 were therefore considered valid.

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	2,173	4,977	5,719	5,750	-	9,544	28,163
Previous year's depreciation	(538)	(4,615)	(5,446)	(5,267)	-	(4,872)	(20,738)
OPENING BALANCE	**1,635**	**362**	**273**	**483**	**-**	**4,672**	**7,425**
Purchases / Additions	9	32	69	57	2	601	771
Disposals	-	(5)	(9)	(3)	-	(131)	(148)
Other changes	(4)	(320)	(209)	(125)	-	(1,839)	(2,497)
Depreciation in period	(30)	(40)	(83)	(124)	-	(690)	(967)
Reversal of cumulative depreciation	-	5	9	2	-	1,490	1,507
Other changes in cumulative amortisation	1	296	198	117	-	437	1,049
TOTAL CHANGES	**(24)**	**(32)**	**(25)**	**(75)**	**2**	**(131)**	**(286)**
Purchase or production cost	2,178	4,684	5,570	5,679	2	8,175	26,288
Cumulative depreciation	(567)	(4,354)	(5,322)	(5,272)	-	(3,634)	(19,149)
CLOSING BALANCE	**1,611**	**330**	**248**	**408**	**2**	**4,541**	**7,139**

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 (as in the case of leases).
The class "Right of use assets" 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 €601 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 date of this report, no indicators of impairment have been identified.
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 2023 compared to that applied at 31 December 2022. The total net value amounts to €1,449 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, 2023				
(€'000)	INITIAL VALUE	INCREASES	OTHER	EOP VALUE	% OWNERSHIP
Investments in associate companies (valuation using the equity method):					
Insulab S.r.l.	-	4		4	40.00%
Rotowi Technologies S.r.l. in liquidazione (ex U.T.R.I. S.p.A.)	-	-	-	-	21.32%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	**-**	**4**	**-**	**4**	
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	122	-	(2)	120	19.00%
Others	1	-	-	1	
TOTAL INVESTMENTS IN OTHER COMPANIES	**549**	**-**	**(2)**	**547**	

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%.
On 9 May 2023, the company Insulab S.r.l. was established in Sassari (Italy), for which €4 thousand was paid, equal to 40% of the share capital. The company's objective is to provide engineering and pre-sales services to Eurotech S.p.A. and, more generally, to the entire Group. Also this company is valued using the equity method.

The other changes in other companies relate to the exchange rate effect.

4 – Inventories

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

(€'000)	at June 30, 2023	at December 31, 2022
Raw & auxiliary materials and consumables - gross	18,333	19,155
Inventory write-down provision	(1,849)	(2,482)
Raw & auxiliary materials and consumables - net	**16,484**	**16,673**
Work in process and semi-finished goods - gross	1,193	1,675
Inventory write-down provision	(86)	(114)
Work in process and semi-finished goods	**1,107**	**1,561**
Finished poducts and goods for resale - gross	11,233	10,596
Inventory write-down provision	(2,597)	(3,083)
Finished products and goods for resale - net	**8,636**	**7,513**
Advances	**118**	**1,107**
TOTAL INVENTORIES	**26,345**	**26,854**

Inventories at 30 June 2023 amounted to €26.34 million, net of the inventory write-down provision totalling €4.53 million. The net decrease in inventory write-down provision of €1.15 million is mainly 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, 2023	at December 31, 2022
OPENING BALANCE	**5,679**	**5,627**
Provisions	432	568
Other changes	(149)	376
Utilisation	(1,430)	(892)
CLOSING BALANCE	**4,532**	**5,679**

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 2023 and 31 December 2022:

(€'000)	at June 30, 2023	at December 31, 2022
Trade receivables - customers	16,372	20,561
Trade receivables - realted paties	1	8
Doubtful debt provision	(661)	(663)
TOTAL TRADE RECEIVABLES	**15,712**	**19,906**

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 €4.19 million compared to 31 December 2022. The decrease is mainly due to the trend in natural due dates of residual trade receivables at the end of June 2023.
The value of bank receipts submitted to the subject to collection, but not yet due at the end of the period is €427 thousand.

Receivables are shown after a doubtful debt provision of €0.66 million.

(€'000)	at June 30, 2023	at December 31, 2022
OPENING BALANCE	**663**	**393**
Provisioning	29	260
Other changes	(1)	25
Utilisation	(30)	(15)
CLOSING BALANCE	**661**	**663**

The net decrease for the period was €2 thousand, due to the combined effect of the provision for the period for €29 thousand to adjust, individually, the value of receivables based on the expected losses on them, the utilisation of the provision for €30 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 2022, this value increased from €749 thousand to €1,396 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 €745 thousand as at 30 June 2023. These payables are calculated according to the tax rates currently in force in each country. Foreign tax payables amounted to €545 thousand (2022: €189 thousand), those for Italian tax payables amounted to €200 thousand (2022: €1,260 thousand).

7 – Other current assets

The table below shows the breakdown of other current assets at 30 June 2023 and 31 December 2022:

(€'000)	at June 30, 2023	at December 31, 2022
Advance payments to suppliers	192	238
Tax receivables	224	157
Other receivables	58	716
Accrued income and prepaid expenses	1,545	1,163
TOTAL OTHER CURRENT ASSETS	**2,019**	**2,274**

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 €136 thousand with a decrease of €3 thousand compared to 31 December 2022 (€139 thousand).
The amount refers for €105 thousand to a three-year insurance policy and for €31 thousand to a liquidity investment in low-risk funds.
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 2023 and 31 December 2022:

(€'000)	at June 30, 2023	at December 31, 2022
Bank and post office deposits	11,756	18,096
Cash and valuables in hand	14	14
TOTAL CASH & CASH EQUIVALENTS	**11,770**	**18,110**

Bank deposits are mostly on demand and are remunerated at a variable rate of interest. The fair value of cash and cash equivalents was €11.77 million (€18.11 million at 31 December 2022).
Cash and cash equivalents fell by €6.34 million compared to 31 December 2022 as a result of operating cash used in the half-year, as well as for net of loan instalment payments due in the first half-year (€8.1 million), of the resources obtained from new loans received (€4.9 million) and those used for investments in property, plant and equipment (€0.8 million) and intangible assets (€1.7 million) made in the period. More information about the dynamics of cash and cash equivalents can be found in the cash flow statement.

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, 2023	at December 31, 2022
Cash	A	11,770	18,110
Cash equivalents	B	-	-
Other current financial assets	C	311	344
Cash equivalent	**D=A+B+C**	**12,081**	**18,454**
Current financial debt	E	2,241	2,241
Current portion of non-current financial debt	F	11,913	14,015
Short-term financial position	**G=E+F**	**14,154**	**16,256**
Short-term net financial position	**H=G-D**	**2,073**	**(2,198)**
Non current financial debt	I	15,685	15,785
Debt instrument	J	-	-
Trade payables and other non-current payables	K	900	900
Medium-/long-term net financial position	**L=I+J+K**	**16,585**	**16,685**
(NET FINANCIAL POSITION) NET DEBT ESMA	**M=H+L**	**18,658**	**14,487**
Medium/long term borrowing allowed to affiliates companies and other Group companies	N	-	66
(NET FINANCIAL POSITION) NET DEBT	**O=M-N**	**18,658**	**14,421**

Net financial debt as at 30 June 2023 amounted to €18.66 million compared to €14.42 million as at 31 December 2022. The adoption of the IFRS 16 accounting standard meant the recognition by Group companies of financial liabilities for rights of use at 30 June 2023 equal to €4.58 million (€4.72 million at 31 December 2022).

11 – Equity

The table below shows the breakdown of equity at 30 June 2023 and 31 December 2022:

(€'000)	at June 30, 2023	at December 31, 2022
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(45,727)	(38,764)
Group shareholders' equity	**99,552**	**106,515**
Equity attributable to minority interest	**-**	**-**
Total shareholders' equity	**99,552**	**106,515**

The share capital at 30 June 2023 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 2023 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 €0.27 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 €50.52 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 2022 results and the recognition of the Performance Share Plans as described in Explanatory Note 32.

The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IFRS 9, was positive for €175 thousand and decreased by €30 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 €4.66 million, a decrease of €1.16 million.

The Parent Company Eurotech S.p.A. held 255,606 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 show earnings and information on the shares used to calculate the basic and diluted EPS.

	at June 30, 2023	at June 30, 2022
Net income (loss) attributable to parent company shareholders	(939,000)	(4,263,000)
Weighted average number of ordinary shares including own shares	35,515,784	35,515,784
Own shares	(255,606)	(89,920)
Weighted average number of ordinary shares except own shares	35,260,178	35,425,864
Weighted average number of ordinary shares except own shares for share diluted	35,260,178	35,425,864
Net income (loss):		
- per share	**(0.027)**	**(0.120)**
- per share diluted	**(0.027)**	**(0.120)**

13 – Financial liabilities

The table below shows the breakdown of short- and medium/long-term financial liabilities at 30 June 2023:

TYPE (€'000)	COMPANY	BALANCE ON 30.06.2023	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months	Long term Over 5 years	BALANCE ON 31.12.2022
CURRENT OUTSTANDINGS - (a)		**5,246**	**5,246**	**-**	**-**	**-**	**4,086**
Lease liabilities		4,582	1,007	3,575	1,686	1,889	4,723
TOTAL OTHER FINANCINGS - (b)		**4,582**	**1,007**	**3,575**	**1,686**	**1,889**	**4,723**
Unsecured loans	Eurotech S.p.A.	15,537	5,375	10,162	10,162	-	16,727
Unsecured loans	Advanet Inc.	4,474	2,526	1,948	1,948	-	6,505
TOTAL BANK DEBT - (c)		**20,011**	**7,901**	**12,110**	**12,110**	**-**	**23,232**
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		**24,593**	**8,908**	**15,685**	**13,796**	**1,889**	**27,955**
TOTAL DEBT - [(a) + (b) + (c)]		**29,839**	**14,154**	**15,685**	**13,796**	**1,889**	**32,041**

In the first half of 2023, portions of medium/long-term loans falling due were paid in the amount of €8.11 million.
Only one loan envisages financial covenants, which are verified on an annual basis.

The item "other loans" includes a residual payable of €4.58 million (of which €3.57 million was medium-term) for leases accounted for in accordance with IFRS 16.

All bank loans outstanding at 30 June 2023 are denominated in euro, with the exception of loans granted to the Japanese subsidiary, which are in Japanese yen, while the other loans, referring to liabilities associated with leasing contracts, are expressed in the four currencies, which are the reference currencies of the various Group companies (EUR, USD, JPY and GBP).

14 – Employee benefits

The table below shows the breakdown of employee benefits at 30 June 2023 and 31 December 2022:

(€'000)	at June 30, 2023	at December 31, 2022
Employees' leaving indemnity	327	321
Foreing Employees' leaving indemnity	2,009	2,183
TOTAL EMPLOYEES' BENEFITS	**2,336**	**2,504**

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:

(€ '000)	Italy at June 30, 2023	Italy at December 31, 2022	Japan at June 30, 2023	Japan at December 31, 2022
Projected benefit obligation at the beginning of the period	**321**	**380**	**2,183**	**2,464**
e cost	-	6	115	227
	6	10	-	9
	-	10	(229)	(184)
	-	(21)	(60)	(154)
ctuarial gains or losses	-	(64)	-	(179)
Projected benefit obligation at the end of the period	**327**	**321**	**2,009**	**2,183**

15 – Provisions for risks and charges

The table below shows the breakdown and changes in provisions for risks and charges at 30 June 2023 and 31 December 2022:

(€'000)	at December 31, 2022	Provision	Utilization	Other	at June 30, 2023
Selling agents' commission fund	27	-	-	-	27
Guarantee reserve	388	181	(67)	(19)	483
Busting depreciable asset	504	57	(175)	(23)	363
Other long therm risk provision	80	20	(71)	(6)	23
TOTAL FUNDS FOR COSTS AND FUTURE RISKS	999	258	(313)	(48)	896

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 product warranty provision is allocated based on the expectations of the charges to be incurred for the 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 legal disputes or transitional reorganisation agreements not yet settled. During 2023, the provision was increased to cover the probable risk of settling a reorganisation agreement in a foreign company. 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 2023 and 31 December 2022:

(€'000)	at June 30, 2023	at December 31, 2022
Third parties	14,028	19,456
Related companies	205	117
TOTAL TRADE PAYABLES	**14,233**	**19,573**

Trade payables at 30 June 2023 amounted to €14.23 million, decreasing by €5.34 million compared with 31 December 2022.
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 2023 and 31 December 2022:

(€'000)	at June 30, 2023	at December 31, 2022
Social contributions	568	748
Other	3,736	5,118
Advances from customers	437	460
Grants advances	730	692
Other tax liabilities	581	534
Accrued expanses	1,157	1,058
TOTAL OTHER CURRENT LIABILITIES	**7,209**	**8,610**

Other payables

(€'000)	at June 30, 2023	at December 31, 2022
Employees	1,037	1,976
Vacation pay	1,143	1,130
Directors	551	714
Statutory auditors	147	326
Other	858	972
TOTAL OTHER PAYABLES	**3,736**	**5,118**

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.

18 — Payables for business combinations

Payables for business combinations amount to an entirely non-current total of €900 thousand and relate to the financial liability deriving from the acquisition of the subsidiary InoNet Computer GmbH. In fact, the total value of the acquisition, already commented on in the consolidated financial statements as at 31 December 2022, included a share earn-out valued at €900 thousand.

F – Breakdown of the main income statement items

With reference to the revenues, please refer to what has already been stated in Note D. Here we comment on the additional main income statement items.

19 – Costs of raw and auxiliary materials and consumables

(€'000)	H1 2023	H1 2022
Purchases of raw materials, semi-finished and finished products	27,908	24,999
Changes in inventories of raw materials	(1,966)	(4,431)
Change in inventories of semi-finished and finished products	(345)	(606)
TOTAL COST OF MATERIALS	**25,597**	**19,962**

Costs of raw and auxiliary materials and consumables show an increase of 28.2% over the period under review, from €19.96 million in the first half of 2022 to €25.60 million in the first half of 2023. The increase is related to the higher turnover achieved in the first half of 2023 compared to the previous period and is overall affected by the product mix in the period under review. Consumption costs grew less than proportionally to revenue growth.

20 – Other operating costs net of cost adjustments

(€'000)	H1 2023	H1 2022
Service costs	7,407	6,726
Rent and leases	*386*	370
Payroll	13,052	10,428
Accruals and other costs	531	378
Cost adjustments for in-house generation of non-current assets	(1,640)	(1,413)
Operating costs net of cost adjustments	**19,736**	**16,489**

The "operating costs" item shown in the table above, net of cost adjustments for internal increases, grew from €16.49 million in the first half of 2022 to €19.74 million in the first half of 2023. The cost for use of third-party assets refers mainly to short-term leases (with a term of less than twelve months) and/or of low value.

The "other provisions and other costs" item includes an allocation to the doubtful debt provision for €29 thousand and other provisions for various risks in the amount of €129 thousand.

21 – Service costs

(€'000)	H1 2023	H1 2022
Industrial services	2,693	2,257
Commercial services	1,385	977
General and administrative costs	3,329	3,492
Total costs of services	**7,407**	**6,726**

In the period under review, service costs recorded an increase of 10.1%, from €6.73 million to €7.41 million; the ratio to revenues decreased from 19.4% in the first half of 2022 to 15.5% in the first half of 2023.

22 – Payroll costs

(€'000)	H1 2023	H1 2022
Wages, salaries and Social Security contributions	12,505	9,839
Employees' leaving entitlement and other personnel provisions	268	283
Other costs	279	306
Total personnel expenses	**13,052**	**10,428**

In the first half of the year, payroll costs increased from €10.43 million (€10.17 million at constant exchange rates) to €13.05 million, an increase of 25.2% at historical exchange rates, mainly related to the inclusion of InoNet in the consolidation perimeter. Wages include €276 thousand as the accrued portion of costs relating to the Performance Share Plans as reported in Note 32 (at 30 June 2022, the amount recognised at cost was €176 thousand).

As the table below illustrates, the number of Group employees slightly decreased at the end of the last period, down from 398 units at 2022 year-end to 395 units at the end of the first half of 2023.
Based on the average value, the reduction compared to 31 December 2022 is in line with the above, amounting to 3 units, while compared to 30 June 2022 there is an increase of 79 units, due to the effect of the change in the scope of consolidation.

EMPLOYEES	Average 2023	at June 30, 2023	Average 2022	at December 31, 2022	at June 30, 2022
Management	4.0	4	3.3	4	3
Manager	7.0	7	5.7	7	4
Clerical workers	323.0	322	302.1	325	286
Line workers	61.3	62	36.5	62	23
TOTAL	**395.3**	**395**	**347.6**	**398**	**316**

23 – Cost adjustments for internally generated non-current assets

Cost adjustments for internally generated non-current assets at 30 June 2023 amounted to €1.64 million (at 30 June 2022 €1.41 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 "Modules and Platforms", 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 €80 thousand (€52 thousand at 30 June 2022), payroll costs of €659 thousand (€657 thousand at 30 June 2022) and service costs of €901 thousand (€704 thousand at 30 June 2022).

24 – Other income

(€'000)	**H1 2023**	**H1 2022**
Government grants	8	14
Sundry revenues	128	130
Total other revenues	**136**	**144**

The main effect of the composition in the item miscellaneous revenue derives from utilizations of risk provisions, while in 2022 it mainly derived from the contingency generated by the early termination of the lease agreement accounted for in accordance with IFRS 16 by the French subsidiary.

25 – Depreciation, amortisation and write-downs

(€'000)	**H1 2023**	**H1 2022**
Amortisation of intangile assets	1,718	1,543
Amortisation of property, plant and equipment	967	881
Total amortisation and depreciation	**2,685**	**2,424**

Depreciation, amortisation and impairment increased from €2.42 million in the first half of 2022 to €2.68 million in the first half of 2023. 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.

26 – Financial income and charges

The Group's financial management is summarised as follows:

€'000	H1 2023	H1 2022
Exchange-rate losses	936	1,099
Interest expenses	421	107
Interest expenses on lease liabilities	53	16
Expenses on derivatives	-	13
Other finance expenses	-	54
Financial charges	**1,410**	**1,289**
Exchange-rate gains	1,159	945
Interest income	2	1
Gain on derivatives	48	-
Other finance income	-	15
Financial incomes	**1,209**	**961**

Net financial management improved in the first six months of 2023 compared to the first six months of from a negative €328 thousand to €201 thousand.
Exchange rate fluctuations affected financial operations by €223 thousand (resulting in a negative effect of €154 thousand in the first six months of 2022). Interest expenses had an impact of €472 thousand in 2023, a deterioration due to the increase in interest rates compared to the impact of €122 thousand in 2022. Other financial income and charges amounted to a total of €48 thousand (€52 thousand in the first six months of 2022).

27 – Income tax for the period

Income taxes at 30 June 2023 reported a net cost of €751 thousand (deriving from the net effect of current tax expenses for €849 thousand and deferred tax income of €98 thousand) against net income of €55 thousand at 30 June 2022 (deriving from the net effect of current tax expenses for €115 thousand and deferred tax income of €170 thousand), with a €806 thousand decrease.

(€'000)	H1 2023	H1 2022
IRES (Italian corporate income tax)	-	-
IRAP (Italian Regional business tax)	-	-
Foreign current income taxes	849	115
Total current income tax	**849**	**115**
Net (prepaid) deferred taxes: Italy	-	-
Net (prepaid) deferred taxes: Non-italian	(98)	(170)
Net (prepaid) deferred taxes	**(98)**	**(170)**
TOTAL INCOME TAXES	**751**	**(55)**

Deferred tax assets as at 30 June 2023 amounted to €4.27 million (31 December 2022: €5.30 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. In particular, with reference to deferred tax assets on tax losses, these were recognised in previous years to the extent that it is probable that there will be adequate future tax profits against which the losses can be used. The directors' assessment confirmed in the half-year relates to the possibility of having taxable profits in the coming years to cover the deferred tax assets recorded.
The amount of deferred tax liabilities at 30 June 2023 was €2.59 million (€2.95 million at 31 December 2022) and refers principally to the tax effects on the “Purchase 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 values attributed in the "Purchase Price allocation".

28 – Statement of comprehensive income

The Statement of comprehensive income includes:

- the fair value valuation of derivative financial instruments, gross of the unrecognised tax effect, negative for €30 thousand (positive for €127 thousand in the first half of 2022);
- the change in the negative translation reserve amounting to €5,731 thousand (€4,278 thousand in the first half of 2022) 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 negative exchange rate difference reserve of €539 thousand (positive for €3,042 thousand in the first half of 2022) 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

29 – 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 already indicated in Note C.

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

RELATED PARTIES	Revenues to related parties	Purchases from related parties	Receivables from related parties	Payables from related parties
Other related parties				
Bluenergy Assistance srl	4	-	1	-
Interlogica srl	-	310	-	205
Total	**4**	**310**	**1**	**205**
Total with related parties	**4**	**310**	**1**	**205**
% impact on line item	**0.0%**	**0.9%**	**0.0%**	**1.4%**

Transactions with the company Interlogica S.r.l., in which Eurotech S.p.a. holds a 10% of the share capital, relate to technical services mainly related to software activities and are carried out at market values.

30 – 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 2023, approximately 27.9% of the Group's loans were fixed-rate loans (in the first half of 2022 the percentage was approximately 34.5%). 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 63.7% of the sales of goods and services (30 June 2022: 77.9%) and 51.6% (30 June 2022: 66.7%) 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 historically exposed to significant price risks, 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 2022 a single customer generated a turnover of 37% of the consolidated revenues; in 2023 the same customer generated a turnover of 28% of the consolidated revenues. There are no other customers that have generated revenues exceeding 10% of total 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 2023, 36.2% of the Group's financial liabilities will be due within one year (half-year 2022: 39.5%) 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 2023 and the respective comparison figures.

At 30 June 2023, the Group held the following financial instruments measured at fair value:

(€'000)	Notional value at June 30, 2023	Fair value at June 30, 2023 (debit)	Fair value at June 30, 2023 (credit)	Notional value at December 31, 2022	Fair value at December 31, 2022 (debit)	Fair value at December 31, 2022 (credit)
Cash flow hedge						
Contracts Interest Rate Swap (IRS)	3,130	175	0	4,023	205	0

All the assets and liabilities measured at fair value at 30 June 2023 are classified in Level 2 of the fair value hierarchy. In addition, during the first half of 2023 there were no transfers from Level 1 to Level 2 or Level 3, or vice versa.

31 – 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 2023, the Group holds two interest rate swap contracts (for total notional residual amounts of €3.13 million) designated as instruments to hedge interest rate risk.

	Due date	Fixed rate	Floating rate	Market value (€'000)
Interest rate swap contracts				
Euro 1,505,045.39	31 July 2025	-0.20%	Euribor 3 months	71
Euro 1,625,000.00	30 September 2026	-0.14%	Euribor 3 months	104
TOTAL				**175**

Interest rate swap contract conditions were negotiated to coincide with the conditions of the underlying commitments (simple hedging relation).
The accounting treatment of these financial instruments in the reporting period entailed a decrease in shareholders' equity of €30 thousand and reduced the cash flow hedge reserve recognised directly in shareholders' equity to a positive value of €175 thousand.

32 – Share-based payments

"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:

a) up to two objectives be linked to the economic-financial performance of the Group in the medium-long term;
b) an objective 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 calculated in relation to the following variables:

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.

With reference to the second cycle of the plan in which 454,612 units were allocated in 2022, the time period considered concerns the years 2022-2024 and the objectives identified (with target levels other than minimum and maximum) independent from each other, are calculated in relation to the following variables:

i the sum of the Group's consolidated EBITDA over the 3 years;
ii the consolidated turnover of the Group at the end of the 2024 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 2023, no units were allocated while 454,612 units were allocated in 2022, relating to the second cycle were allocated and 12,214 units relating to the first cycle were cancelled due to beneficiaries who lost their allocation rights.

	Year 2023			Year 2022		
	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)
Performance Share Plan 2021						
Nr. Unit at the begining of the period	882,540	3,449	177	440,142	2,065	39
Nr. Unit Granted during period	-	-	-	454,612	1,441	196
Nr. Unit Cancelled during period	-	-	-	(12,214)	(57)	(4)
Nr. Unit assigned during period	-	-	-	-	-	-
Nr. Unit Outstanding at the end of the period	882,540	3,449	177	882,540	3,449	231

At the date of the consolidated half-year financial statements, the company had recorded a cost of €177 thousand in the income statement, whose contra entry was recognised in shareholders' equity. From the beginning of the plan it has been recognised in the income statement and amounts to a total of €541 thousand. The total fair value as at 30 June 2023 of the first and second cycles of the Plan, determined at the assignment date by the Board (or at the respective grant dates) and revised (as regards the first cycle) due to the change in the non-market conditions amounted to €975 thousand.

With reference to the third 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 "IP 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 IP 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 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; 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). Subsequently, a portion equal to 20% of the vested shares will be subject to a lock-up period of 1 (one) year.

During 2023 172,000 units were assigned. At the half-year reporting date the company had recorded a cost of €99 thousand in the income statement, whose contra entry was recognised in shareholders' equity. Since the beginning of the plan, the amount recognized in the income statement amounts to a total of €129 thousand.

	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)
Performance Share Plan 2022						
Nr. Unit at the begining of the period	57,000	173	28	-	-	-
Nr. Unit Granted during period	172,000	546	71	57,000	173	30
Nr. Unit Cancelled during period	-	-	-	-	-	-
Nr. Unit assigned during period	-	-	-	-	-	-
Nr. Unit Outstanding at the end of the period	229,000	719	99	57,000	173	30

33 – 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.

34 – Seasonality of business activities

There are no significant seasonal trends in the sector in which the Group operates, although, 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.

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 1 January 2023 to 30 June 2023.

2) Valuation of the adequacy of the administrative and accounting procedures for the formation of the consolidated half-year financial statements at 30 June 2023 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 Organisations 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), 7 September 2023

Eurotech S.p.A.

signed Paul Chawla
Chief Executive Officer

signed Sandro Barazza
Financial Reporting Manager

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Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Eurotech S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the related explanatory notes of Eurotech S.p.A. and its subsidiaries (the "Eurotech Group") as of 30 June 2023. The Directors of Eurotech S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an 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 interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Eurotech Group as of 30 June 2023, are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

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Other matters

The consolidated financial statements for the year ended 31 December 2022 and the interim condensed consolidated financial statements for the half-year period ended 30 June 2022 have been respectively audited and reviewed by another auditor who expressed an unqualified opinion on the consolidated financial statements on 3 April 2023 and expressed an unqualified conclusion on the interim condensed consolidated financial statements on 6 September 2022.

Treviso, September 7, 2023

EY S.p.A.
Signed by: Maurizio Rubinato, Statutory Auditor

This report has been translated into the English language solely for the convenience of international readers.

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