

EUROTECH: CONSOLIDATED INTERIM MANAGEMENT REPORT AS AT 31 MARCH 2023 APPROVED BY THE BOD

Double-digit organic revenue growth continues. First margin near run-rate and activation of operating leverage allow for quarter to close in profit. Net working capital and net financial position impacted by temporary growth in component inventory.

Amaro (Italy), 15 May 2023

- Consolidated revenues of € 24.9 million (€ 17.4 million as at 31.03.2022, +45.6% at constant exchange rates)
- Consolidated gross profit of € 11.7 million and 46.9% of revenues (€ 7.1 million and 40.9% of revenues as at 31.03.2022)
- Consolidated EBITDA of € 1.6 million (€ -1.0 million as at 31.03.2022)
- Consolidated EBIT of € 0.4 million (€ -2.2 million as at 31.03.2022)
- Group net income of € 0.1 million (€ -2.4 million as at 31.03.2022)
- Net debt of € 16.5 million (€ 14.4 million as at 31.12.2022)

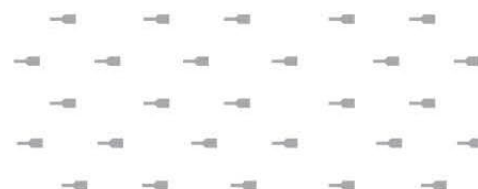
The Board of Directors of Eurotech S.p.A. today examined and approved the results of the first three months of 2023.

Trend of the period

2022 showed revenues growing organically by 20.8% year-on-year (23.0% at constant exchange rates). Including the contribution of the newly acquired InoNet, growth rose to 43.0% (45.6% at constant exchange rates).

The Edge AIoT business played an instrumental role in revenue growth during the first three months of the year, a situation diametrically opposite to what was recorded in the first three months of 2022. On a like-for-like basis, the Edge AIoT business showed significant organic growth of 48.1% compared to the first quarter of 2022; including also the contribution of InoNet, the overall year-on-year revenue growth in Edge AIoT rises to 192,6%.

While some difficulties remain in sourcing particular electronic components, non-delivery of planned orders was limited to less than €1 million, compared to €3.5 million in the first quarter of 2022. This result is the effect of 12- to 18-month planning done as early as the end of 2021



with key suppliers to secure as much as possible electronic components deemed most at risk based on customer forecasts.

We have been witnessing for several months now a reduction in the delivery time of the components themselves, which, for some items, are being made available earlier than the initial scheduled delivery, with a temporary stockpiling effect. This phenomenon has had a negative impact on net working capital and, consequently, on the net financial position at the end of the quarter.

Although purchase prices have not returned to the level of two years ago, ad hoc trades made by paying premium prices (PPVs) have significantly decreased compared to a year ago, and the significant improvement in the first margin is evidence of this.

The activation of operating leverage in the first quarter, together with a first margin close to run-rate, allowed the first quarter of 2023 to show a profit.

Economic performance of the Eurotech Group

At **equal perimeter**, **revenues** in the first three months of 2023 were €21.06 million, compared to €17.43 million in the first three months of 2022, an increase of 20.8% (+23.0% at constant exchange rates). Including the contribution of InoNet, **total revenues** were €24.92 million, an overall increase of 43.0% (+45.6% at constant exchange rates).

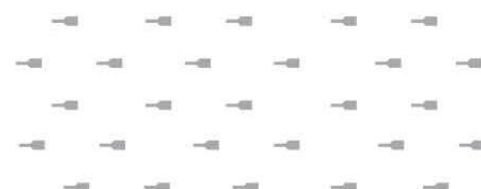
Net of inter-company sales, the United States generated 38.6% of total sales (Q1 2022: 39.5%) followed by Europe with 35.6% (Q1 2022: 19.6%), while Japan accounted for the remaining 25.8% (Q1 2022: 40.9%).

The U.S. region grew in double digit (+33%) driven by the traditional embedded business, as already seen during 2022.

The European region also achieved double-digit organic growth (+39%) driven by the Edge AIoT business and it also benefited from the effect of the consolidation of InoNet.

On the other hand, the Japanese region recorded a 10% decline year-on-year, due solely to the effect of order fluctuations from its major local customers in the different quarters of the year, while maintaining a positive outlook for the coming quarters.

Net of the InoNet effect, the **gross profit margin** in the first quarter, as a percentage of sales, was 47.7% and compares with a 40.9% margin in the first quarter of 2022. Including InoNet –



which still operates on lower, albeit growing, margins – the first overall margin stands at 46.9% of revenues.

On a like-for-like basis, the first margin improved 680 bps compared to the value recorded in the first quarter of 2022, confirming the effectiveness of the actions implemented to counter the effects of the component shortage put in place over a year ago: increasing sales prices, redesigning some systems to use alternative components that were more readily available and/or less expensive, reorganizing the supply chain on the more standard products by giving forecasts and 12-24 month orders to suppliers.

Operating costs before adjustments made amounted to €10.81 million and compares with €8.85 million in the first three months of 2022. The main effect (80% of the change) is due to the consolidation of InoNet and thus the contribution of costs related to it, while the balance is the effect of higher personnel and service costs increased to support the Group's go-to-market strategy.

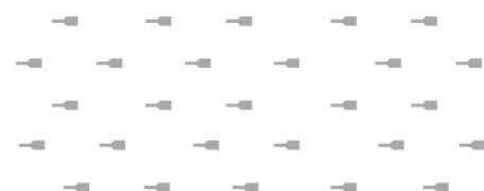
EBITDA amounted to €1.6 million (6.4% of revenues), compared to €-0.99 million in 2022 (-5.7% of revenues). InoNet's contribution was €0.2 million.

EBIT, or operating income for the year, was €0.37 million (1.5% of revenues), compared to €-2.17 million in 2022 (-12.5% of revenues). InoNet's contribution was €0.05 million.

In terms of **Group net income**, the figure for the first quarter was €0.14 million (0.6% of revenues), while it was €-2.38 million in the same period of 2022 (-13.9% of revenues). InoNet's contribution was €0.01 million.

Balance sheet and financial situation of the Eurotech Group

As of 31 March 2023, the Group had a **net financial position** with a net debt of €16.5 million, compared to a net debt of €14.4 million as of 31 December 2022. The lack of reduction in net financial debt was mainly due to the €1.9 million increase in **net working capital**, which amounted to €21.9 million as of 31 March 2023, compared to €19.9 million as of 31 December 2022. The growth in working capital is mainly related to the dynamics of component purchases to maximize production of the existing order book. The ratio of net working capital to pro-forma revenues for the last 12 rolling months, i.e. considering the potential contribution of InoNet, is around 21%, in line with management's objectives.



Group shareholders' equity amounts to €104.6 million (€106.5 million as of 31 December 2022).

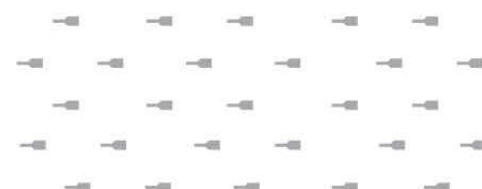
Foreseeable evolution of operations

Visibility for the second quarter of the year, given the orders in the backlog, is good and allows us to foresee a double-digit organic growth trend for the old consolidation perimeter, to which the growing contribution of the newly acquired InoNet will be added. On the other hand, low visibility on the second half of the year remains, linked to the presence of a macroeconomic scenario and geopolitical framework still characterized by high uncertainty, leading customers to delay the emission of orders as much as possible. In any case, by virtue of the reduction in procurement times, the time window for receiving orders with delivery within the year is still open. The company is continuing to work on closing opportunities in the pipeline for which Proof Of Concepts or Pilot Projects have already been activated in 2022.

The availability of electronic components has improved significantly compared to the beginning of last year, benefiting a normalization of the first margin. However, there are some remaining critical issues related to the continuation of long procurement lead times for some high-end chips (e.g., GPUs, FPGAs) and recently introduced to the market, for which suppliers' production capacity is still small compared to market demand.

During the year, the recruitment of new personnel will continue, particularly engineers for pre-sales technical activities and business development roles, to enable the company to accelerate in business development. Thus, the process of evolving the organization to align it with the needs of implementing the outlined strategy will continue.

The Manager in charge of drawing up the corporate accounting documents, Sandro Barazza, hereby certifies, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the documented results, books and accounting records of the company.



Eurotech

Eurotech (ETH:IM) is a multinational company that designs, develops and delivers Edge Computers and Internet of Things (IoT) solutions complete with services, software and hardware to system integrators and enterprises. By adopting Eurotech's solutions, customers have access to components and software platforms for IoT, Edge Gateways to enable asset monitoring, and high-performance Edge Computer for applications including Artificial Intelligence (Edge AI). To offer more and more complete solutions Eurotech has activated partnerships with leading companies in their field of action, thus creating a global ecosystem that allows it to create "best in class" solutions for the Industrial Internet of Things. [More information: www.eurotech.com](http://www.eurotech.com)

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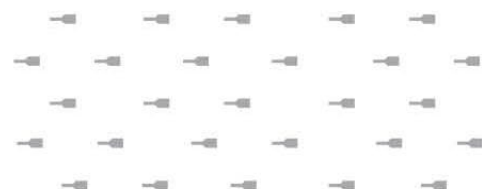
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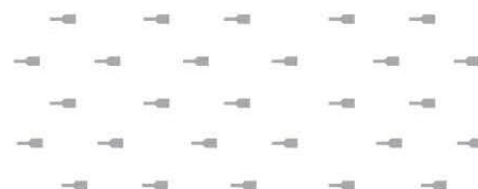
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ANNEXES - ACCOUNTING SCHEDULES

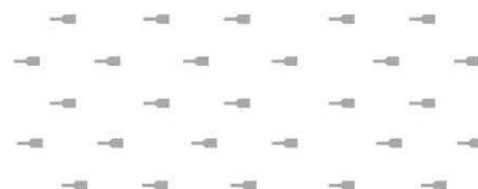
CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€ '000)	Q1 2023 (b)	of which related parties	%	Q1 2022 (a)	of which related parties	%	change (b-a)	
							amount	%
Sales revenue	24,917	2	100.0%	17,429	9	100.0%	7,488	43.0%
Cost of material	(13,241)		-53.1%	(10,298)		-59.1%	2,943	28.6%
Gross profit	11,676		46.9%	7,131		40.9%	4,545	63.7%
Services costs	(3,668)	(157)	-14.7%	(3,341)	(751)	-19.2%	327	9.8%
Lease & hire costs	(215)		-0.9%	(95)		-0.5%	120	126.3%
Payroll costs	(6,715)		-26.9%	(5,172)		-29.7%	1,543	29.8%
Other provisions and costs	(217)		-0.9%	(239)		-1.4%	(22)	-9.2%
Other revenues	742		3.0%	719		4.1%	23	3.2%
EBITDA	1,603		6.4%	(997)		-5.7%	2,600	-260.8%
Depreciation & Amortization	(1,229)		-4.9%	(1,178)		-6.8%	51	4.3%
EBIT	374		1.5%	(2,175)		-12.5%	2,549	-117.2%
Finance expense	(1,058)		-4.2%	(579)		-3.3%	479	82.7%
Finance income	873	-	3.5%	338	1	1.9%	535	158.3%
Profit before tax	189		0.8%	(2,416)		-13.9%	2,605	-107.8%
Income tax	(46)		-0.2%	35		0.2%	81	-231.4%
Net profit (loss) of continuing operations before minority interest	143		0.6%	(2,381)		-13.7%	2,524	-106.0%
Minority interest	-		0.0%	-		0.0%	-	n/a
Group net profit (loss) for period	143		0.6%	(2,381)		-13.7%	2,524	-106.0%
Base earnings per share	0.004			(0.195)				
Diluted earnings per share	0.004			(0.195)				



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at March 31, 2023	at December 31, 2022
Intangible assets	91,841	93,620
Property, Plant and equipment	7,236	7,425
Investments in other companies	546	549
Deferred tax assets	5,229	5,301
Medium/long term borrowing allowed to affiliates companies and other Group companies	65	66
Other non-current assets	537	552
Total non-current assets	105,454	107,513
Inventories	29,676	26,854
Trade receivables	15,590	19,906
Income tax receivables	1,559	749
Other current assets	2,933	2,274
Other current financial assets	136	139
Derivative instruments	182	205
Cash & cash equivalents	16,053	18,110
Total current assets	66,129	68,237
Non-current assets classified as held for sale	-	-
Total assets	171,583	175,750
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(40,776)	(38,764)
Group shareholders' equity	104,503	106,515
Equity attributable to minority interest	-	-
Total shareholders' equity	104,503	106,515
Medium-/long-term borrowing	17,222	15,785
Employee benefit obligations	2,501	2,504
Deferred tax liabilities	2,847	2,952
Other non-current liabilities	931	999
Business combination liabilities	900	900
Total non-current liabilities	24,401	23,140
Trade payables	17,812	19,780
Short-term borrowing	14,838	16,256
Income tax liabilities	1,601	1,449
Other current liabilities	8,428	8,610
Total current liabilities	42,679	46,095
Total liabilities	67,080	69,235
Total liabilities and equity	171,583	175,750

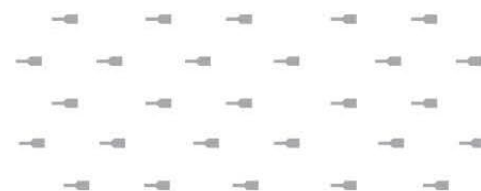


STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 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 March 31, 2023	-	-	-	-	-	-	-	-	-	143	143	-	143
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	(23)	-	-	-	-	(23)	-	(23)
- Actuarial gains/(losses) on defined benefit plans for employees	-	-	-	-	-	-	-	-	-	-	-	-	-
- Foreign balance sheets conversion difference	-	-	-	(1,688)	-	-	-	-	-	-	(1,688)	-	(1,688)
- Exchange differences on equity investments in foreign companies	-	-	-	-	580	-	-	(1,148)	-	-	(568)	-	(568)
Total Comprehensive result	-	-	-	(1,688)	580	(23)	-	(1,148)	-	143	(2,136)	-	(2,136)
- Performance Share Plan	-	-	-	-	124	-	-	-	-	-	124	-	124
Balance as at March 31, 2023	8,879	1,776	136,400	4,310	(50,720)	182	(445)	4,681	(703)	143	104,503	-	104,503

CONDENSED CASH FLOW STATEMENT

(€'000)		at March 31, 2023	at December 31, 2022	at March 31, 2022
Cash flow generated (used) in operations	A	(363)	(1,608)	(4,913)
Cash flow generated (used) in investment activities	B	(1,084)	(13,396)	(460)
Cash flow generated (absorbed) by financial assets	C	(201)	1,605	(2,068)
Net foreign exchange difference	D	(409)	(195)	80
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(2,057)	(13,594)	(7,361)
Opening amount in cash & cash equivalents		18,110	31,704	31,704
Cash & cash equivalents at end of period		16,053	18,110	24,343



NET FINANCIAL POSITION

(€'000)		at March 31, 2023	at December 31, 2022	at March 31, 2022
Cash	A	(16.053)	(18.110)	(24.343)
Cash equivalents	B	-	-	-
Other current financial assets	C	(318)	(344)	(123)
Cash equivalent	D=A+B+C	(16.371)	(18.454)	(24.466)
Current financial debt	E	2.241	2.241	90
Current portion of non-current financial debt	F	12.597	14.015	7.739
Short-term financial position	G=E+F	14.838	16.256	7.829
Short-term net financial position	H=G+D	(1.533)	(2.198)	(16.637)
Non current financial debt	I	17.222	15.785	15.542
Debt instrument	J	-	-	-
Trade payables and other non-current payables	K	900	900	-
Medium-/long-term net financial position	L=I+J+K	18.122	16.685	15.542
(NET FINANCIAL POSITION) NET DEBT ESMA	M=H+L	16.589	14.487	(1.095)
Medium/long term borrowing allowed to affiliates companies and other Group companies	N	(65)	(66)	(64)
(NET FINANCIAL POSITION) NET DEBT	O=M+N	16.524	14.421	(1.159)

NET WORKING CAPITAL

(€'000)	at March 31, 2023 (b)	at December 31, 2022 (a)	at March 31, 2022	Changes (b-a)
Inventories	29.676	26.854	20.420	2.822
Trade receivables	15.590	19.906	12.179	(4.316)
Income tax receivables	1.559	749	870	810
Other current assets	2.933	2.274	2.869	659
Current assets	49.758	49.783	36.338	(25)
Trade payables	(17.812)	(19.780)	(15.149)	1.968
Income tax liabilities	(1.601)	(1.449)	(334)	(152)
Other current liabilities	(8.428)	(8.610)	(6.985)	182
Current liabilities	(27.841)	(29.839)	(22.468)	1.998
Net working capital	21.917	19.944	13.870	1.973

