

## **EUROTECH: BOARD OF DIRECTORS APPROVES THE CONSOLIDATED INTERIM MANAGEMENT REPORT AS AT MARCH 31, 2022**

*First quarter revenues up more than 30% over first quarter 2021, but component shortage impacts on first margin lead to negative EBITDA. Double-digit growth outlook in 2022 confirmed by backlog.*

### **Amaro (Italy), 12 May 2022**

- Consolidated revenues of € 17.4 million (€ 12.9 million as at 31.03.2021, +32.3% at constant exchange rates)
- Consolidated gross profit of € 7.1 million and 40.9% of revenues (€ 6.4 million and 50.0% of revenues as at 31.03.2021)
- Consolidated EBITDA of € -1.0 million (€ -1.8 million as at 31.03.2021)
- Consolidated EBIT of € -2.2 million (€ -2.8 million as at 31.03.2021)
- Group net income of € -2.4 million (€ -2.9 million as at 31.03.2021)
- Net financial position with net cash of € 1.2 million (€ 6.2 million as at 31.12.2021)

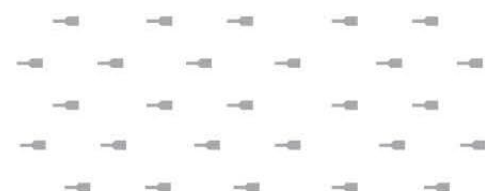
The Board of Directors of Eurotech S.p.A. today examined and approved the results for the first three months of 2022.

### ***Trend of the period***

The quarter showed revenues growing over 30% year-on-year, with the trend most pronounced in Japan and the United States. Despite the outbreak of conflict in Ukraine, we saw no slowdown in the emergence of new opportunities for IoT projects and in the order intake from our customer base during the first quarter of 2022.

Instead, we registered further difficulties in the procurement of electronic components. Orders not delivered due to the unavailability of electronic components amounted to approximately 3.5 million euros. Only a small part of these delays will be recoverable in the next quarter, while a recovery by the end of the financial year is reasonable.

The embedded business has been instrumental to the growth, but the IoT projects activated in previous years have also maintained a growth trend in line with what was shown in 2021.



The impacts coming from the electronic components' crisis prevented a sufficient level of first margin to have a break-even quarter at the EBITDA level. Indeed, the corrective actions put in place from September 2021 will only produce tangible effects from April onwards and therefore did not have a positive impact in the first quarter.

### ***Economic performance of the Eurotech Group***

**Consolidated revenues** in the first three months of 2022 amounted to Euro 17.43 million, compared to Euro 12.88 million in the three months of 2021, an increase of 35.3% (+32.3% at constant exchange rates).

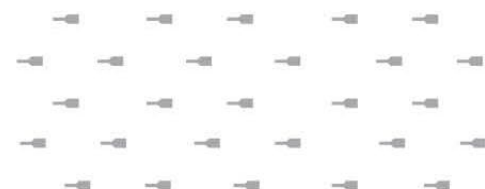
Excluding inter-company sales, Japan generated 40.9% of total sales (three months 2021: 35.0%) followed by the United States with 39.5% (three months 2021: 39.5%), with the European region accounting for the remaining 19.6% (three months 2021: 25.5%).

The Japanese region expressed the strongest year-on-year growth due to the strong order intake in the second half of 2021.

The U.S. region also grew in double digit on the back of the solid trend in traditional embedded business already seen during 2021.

The European region grew less in this first quarter than the other regions, but retains double-digit growth potential for the second half of the year thanks also to the recovery of the business in high-performance Edge Computing systems for applications in unmanned vehicles.

The **first margin** for the period, as a percentage of sales, was 40.9% and compares to a margin of 46.7% in the twelve months of 2021 and a value of 50% in the first quarter of 2021. The reduction in margin is the combined effect of two elements: higher costs incurred to purchase certain low availability components in order to be able to deliver products to customers and a different mix of products sold. Higher procurement costs (PPV) were not always passed on in full to customers during the quarter. On the other hand, as regards the product mix, in particular the Japanese area recorded a significant temporary deviation from the historical trend, in part due to the effects of the component shortage, while the order book would have been more balanced.



**Operating expenses** before adjustments made (and net of non-recurring costs for 2021) amounted to €8.85 million, compared with €7.94 million in the first three months of 2021. The increase in operating costs is in line with the plan to align the operating structure to the strategy, and contains one-off items for recruiting costs of € 0.4 million.

**EBITDA** amounted to € -0.99 million (-5.7% of revenues), compared to € -1.77 million in 2020 (-13.8% of revenues). Net of non-recurring costs, adjusted EBITDA for the first three months of 2021 was € -0.71 million.

EBIT, i.e. the operating result for the year, was € -2.17 million (-12.5% of revenues), compared to € -2.84 million in 2021 (22.8% of revenues).

In terms of the Group's **net result**, the value for the first quarter was € -2.38 million (-13.7% of revenues), while it was € -2.93 million in the same period of 2021 (-22.8% of revenues).

### ***Balance sheet and financial situation of the Eurotech Group***

As at March 31, 2022, the Group had a positive **net cash position** of € 1.2 million, compared to an amount of € 6.2 million as at December 31, 2021. The reduction in the net financial position was also due to the €3.5 million increase in net working capital.

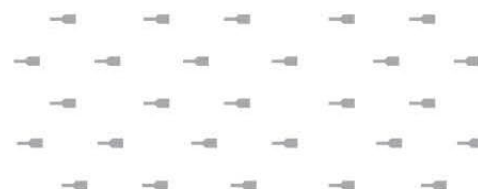
The Group's **cash and cash equivalents** amounted to €24.3 million at March 31, 2021, while they were €31.7 million at the end of 2021.

**Net working capital** amounted to €13.9 million as at March 31, 2022, compared to €10.4 million as at December 31, 2021. 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 sales for the last 12 rolling months stood at 20.5%, in line with management's objectives.

The Group's **shareholders' equity** amounted to 106.9 million euros (110.4 million euros as of December 31, 2021).

### ***Foreseeable evolution of operations***

Backlog visibility for the year 2022 is at approximately 83M€ and confirms the possibility of double-digit revenue growth.



The initiatives to mitigate the problem of the shortage of electronic components implemented in recent months (i.e.: increase in sales prices, redesign of some systems to use alternative components that are more readily available and/or less expensive, reorganization of the supply chain on the more standard products by giving forecasts and orders to suppliers at 12-24 months) should start to produce the desired effects from April. In addition, the sales mix will also be less skewed towards low-margin products, thanks also to the recovery in the second half of the year of the business on Edge AI systems for self-driving vehicles. The indicators that management monitors suggest that the coming quarters will show an upward trend on the first margin.

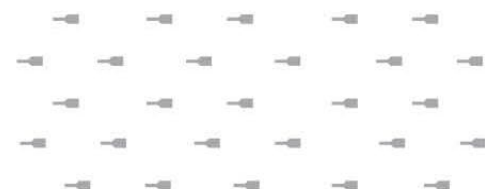
During the next quarter, the process of changing the organization to align it with the needs of implementing the new outlined strategy will continue. New employees with different backgrounds and experiences will join the teams in the different locations, particularly in the Marketing & Sales and Research & Development areas.

Finally, activities will continue on the identified inorganic growth targets. This is a process that is entirely buy-side, and therefore with longer timeframes and more complex ways of unfolding than the more traditional sell-side processes. Inorganic growth remains an important element of the strategy: the current economic scenario and tensions at geo-political level recommend a prudent approach to the use of liquidity, without, however, jeopardizing the possibility of concluding transactions that require limited funding.

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*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.*

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## Eurotech

Eurotech (ETH:IM) is a multinational company that designs, develops and delivers Edge Computer 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 Computers (HPEC) for applications including Artificial Intelligence (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)

## Contact

### Investor Relations

Andrea Barbaro

+39 0433 485411

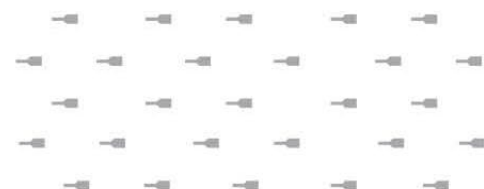
[andrea.barbaro@eurotech.com](mailto:andrea.barbaro@eurotech.com)

### Corporate Communication

Federica Maion

Tel. +39 0433 485411

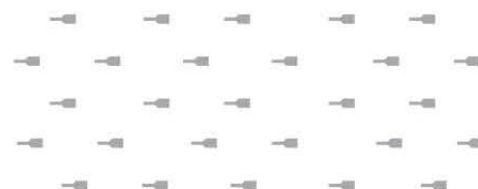
[federica.maion@eurotech.com](mailto:federica.maion@eurotech.com)



ANNEXES - ACCOUNTING SCHEDULES

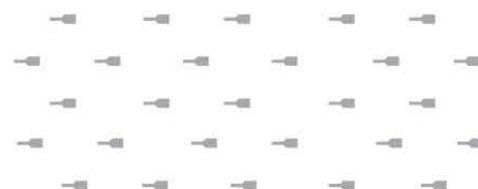
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

(€ '000)	Q1 2022 (b)	%	1Q 2021 (a)	of which non recurrent	%	change (b-a)	
						amount	%
Sales revenue	17,429	100.0%	12,880		100.0%	4,549	35.3%
Cost of material	(10,298)	-59.1%	(6,442)		-50.0%	3,856	59.9%
<b>Gross profit</b>	<b>7,131</b>	<b>40.9%</b>	<b>6,438</b>		<b>50.0%</b>	<b>693</b>	<b>10.8%</b>
Services costs	(3,341)	-19.2%	(3,634)	(1,066)	-28.2%	(293)	-8.1%
Lease & hire costs	(95)	-0.5%	(113)		-0.9%	(18)	-15.9%
Payroll costs	(5,172)	-29.7%	(4,978)		-38.6%	194	3.9%
Other provisions and costs	(239)	-1.4%	(285)		-2.2%	(46)	-16.1%
Other revenues	719	4.1%	799		6.2%	(80)	-10.0%
<b>EBITDA</b>	<b>(997)</b>	<b>-5.7%</b>	<b>(1,773)</b>	<b>(1,066)</b>	<b>-13.8%</b>	<b>776</b>	<b>43.8%</b>
Depreciation & Amortization	(1,178)	-6.8%	(1,067)		-8.3%	111	10.4%
<b>EBIT</b>	<b>(2,175)</b>	<b>-12.5%</b>	<b>(2,840)</b>	<b>(1,066)</b>	<b>-22.0%</b>	<b>665</b>	<b>23.4%</b>
Finance expense	(579)	-3.3%	(585)		-4.5%	(6)	-1.0%
Finance income	338	1.9%	536		4.2%	(198)	-36.9%
<b>Profit before tax</b>	<b>(2,416)</b>	<b>-13.9%</b>	<b>(2,889)</b>	<b>(1,066)</b>	<b>-22.4%</b>	<b>473</b>	<b>16.4%</b>
Income tax	35	0.2%	(44)		-0.3%	(79)	179.5%
<b>Net profit (loss) of continuing operations before minority interest</b>	<b>(2,381)</b>	<b>-13.7%</b>	<b>(2,933)</b>	<b>(1,066)</b>	<b>-22.8%</b>	<b>552</b>	<b>18.8%</b>
<b>Minority interest</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>		<b>0.0%</b>	<b>-</b>	<b>n/a</b>
<b>Group net profit (loss) for period</b>	<b>(2,381)</b>	<b>-13.7%</b>	<b>(2,933)</b>	<b>(1,066)</b>	<b>-22.8%</b>	<b>552</b>	<b>18.8%</b>
<b>Base earnings per share</b>	<b>(0.067)</b>		<b>(0.083)</b>				
<b>Diluted earnings per share</b>	<b>(0.067)</b>		<b>(0.083)</b>				



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at March 31, 2022	at December 31, 2021
<b>ASSETS</b>		
Intangible assets	86,595	88,043
Property, Plant and equipment	4,770	5,229
Investments in other companies	544	542
Deferred tax assets	6,508	6,504
Medium/long term borrowing allowed to affiliates companies and other Group companies	64	62
Other non-current assets	684	620
<b>Total non-current assets</b>	<b>99,165</b>	<b>101,000</b>
Inventories	20,420	17,646
Trade receivables	12,179	11,280
Income tax receivables	870	801
Other current assets	2,869	2,130
Other current financial assets	123	123
Derivative instruments	70	4
Cash & cash equivalents	24,343	31,704
<b>Total current assets</b>	<b>60,874</b>	<b>63,688</b>
<b>Non-current assets classified as held for sale</b>	<b>-</b>	<b>365</b>
<b>Total assets</b>	<b>160,039</b>	<b>165,053</b>
<b>LIABILITIES AND EQUITY</b>		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	( 38,334)	( 34,843)
<b>Group shareholders' equity</b>	<b>106,945</b>	<b>110,436</b>
<b>Equity attributable to minority interest</b>	<b>-</b>	<b>-</b>
<b>Total shareholders' equity</b>	<b>106,945</b>	<b>110,436</b>
Medium-/long-term borrowing	15,542	17,535
Employee benefit obligations	2,821	2,844
Deferred tax liabilities	3,102	3,200
Other non-current liabilities	1,262	1,477
<b>Total non-current liabilities</b>	<b>22,727</b>	<b>25,056</b>
Trade payables	15,149	13,005
Short-term borrowing	7,897	8,137
Derivative instruments	2	11
Income tax liabilities	334	215
Other current liabilities	6,985	8,193
<b>Total current liabilities</b>	<b>30,367</b>	<b>29,561</b>
<b>Total liabilities</b>	<b>53,094</b>	<b>54,617</b>
<b>Total liabilities and equity</b>	<b>160,039</b>	<b>165,053</b>

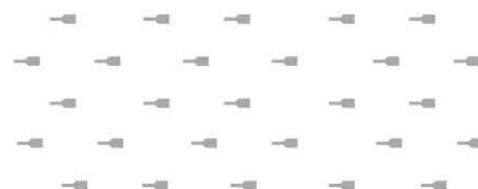


## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€'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 shareholders interest	Total shareholders' equity
<b>Balance as at December 31, 2021</b>	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 March 31, 2022	-	-	-	-	-	-	-	-	-	(2,381)	(2,381)	-	(2,381)
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	74	-	-	-	-	74	-	74
- Actuarial gains/(losses) on defined benefit plans for employees	-	-	-	-	-	-	-	-	-	-	-	-	-
- Foreign balance sheets conversion difference	-	-	-	(1,986)	-	-	-	-	-	-	(1,986)	-	(1,986)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	714	-	-	714	-	714
<b>Total Comprehensive result</b>	-	-	-	(1,986)	-	74	-	714	-	(2,381)	(3,579)	-	(3,579)
- Performance Share Plan	-	-	-	-	88	-	-	-	-	-	88	-	88
<b>Balance as at March 31, 2022</b>	8,879	1,776	136,400	8,298	(50,051)	68	(621)	4,788	(211)	(2,381)	106,945	-	106,945

## CONDENSED CASH FLOW STATEMENT

(€'000)		at March 31, 2022	at December 31, 2021	at March 31, 2021
Cash flow generated (used) in operations	A	(4,913)	3,279	2,610
Cash flow generated (used) in investment activities	B	(460)	(5,274)	(1,135)
Cash flow generated (absorbed) by financial assets	C	(2,068)	(8,059)	(2,208)
Net foreign exchange difference	D	80	536	236
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(7,361)	(9,518)	(497)
<b>Opening amount in cash &amp; cash equivalents</b>		<b>31,704</b>	<b>41,222</b>	<b>41,222</b>
<b>Cash &amp; cash equivalents at end of period</b>		<b>24,343</b>	<b>31,704</b>	<b>40,725</b>





### NET FINANCIAL POSITION

(€'000)		at March 31, 2022	at December 31, 2021	at March 31, 2021
Cash	A	( 24,343)	( 31,704)	( 40,725)
Cash equivalents	B	-	-	-
Other current financial assets	C	( 123)	( 123)	( 125)
<b>Cash equivalent</b>	<b>D=A+B+C</b>	<b>( 24,466)</b>	<b>( 31,827)</b>	<b>( 40,850)</b>
Current financial debt	E	90	99	63
Current portion of non-current financial debt	F	7,739	8,045	8,759
<b>Short-term financial position</b>	<b>G=E+F</b>	<b>7,829</b>	<b>8,144</b>	<b>8,822</b>
<b>Short-term net financial position</b>	<b>H=G+D</b>	<b>( 16,637)</b>	<b>( 23,683)</b>	<b>( 32,028)</b>
Non current financial debt	I	15,542	17,535	21,790
Debt instrument	J	-	-	-
Trade payables and other non-current payables	K	-	-	-
<b>Medium-/long-term net financial position</b>	<b>L=I+J+K</b>	<b>15,542</b>	<b>17,535</b>	<b>21,790</b>
<b>(NET FINANCIAL POSITION) NET DEBT ESMA</b>	<b>M=H+L</b>	<b>( 1,095)</b>	<b>( 6,148)</b>	<b>( 10,238)</b>
Medium/long term borrowing allowed to affiliates companies and other Group companies	N	( 64)	( 62)	( 60)
<b>(NET FINANCIAL POSITION) NET DEBT</b>	<b>O=M+N</b>	<b>( 1,159)</b>	<b>( 6,210)</b>	<b>( 10,298)</b>

### NET WORKING CAPITAL

(€'000)	at March 31, 2022 (b)	at December 31, 2021 (a)	at March 31, 2021	Changes (b-a)
Inventories	20,420	17,646	17,635	2,774
Trade receivables	12,179	11,280	9,071	899
Income tax receivables	870	801	907	69
Other current assets	2,869	2,130	1,951	739
<b>Current assets</b>	<b>36,338</b>	<b>31,857</b>	<b>29,564</b>	<b>4,481</b>
Trade payables	(15,149)	(13,005)	(10,411)	(2,144)
Income tax liabilities	(334)	(215)	(332)	(119)
Other current liabilities	(6,985)	(8,193)	(7,508)	1,208
<b>Current liabilities</b>	<b>(22,468)</b>	<b>(21,413)</b>	<b>(18,251)</b>	<b>(1,055)</b>
<b>Net working capital</b>	<b>13,870</b>	<b>10,444</b>	<b>11,313</b>	<b>3,426</b>

