press release

EUROTECH: RESULTS OF THE CONSOLIDATED FINANCIAL REPORT AS AT 30 JUNE 2022 APPROVED BY THE BOD

Double-digit revenue growth confirmed, with gross profit margin improving 330 bps in second quarter vs. first quarter. EBITDA negative due to no activation of operating leverage and one-off recruiting costs.

Amaro (Italy), 6 September 2022

- Consolidated revenues of € 34.7 million (€ 26.7 million as at 30.06.2021, +30.0%)
- Consolidated gross profit of € 14.8 million and 42.5% of revenues (€ 13.2 million and 49.4% of revenues as at 30.06.2021)
- Consolidated EBITDA of € -1.6 million (€ -3.1 million as at 30.06.2021)
- Consolidated EBIT of € -4.0 million (€ -5.4 million as at 30.06.2021)
- Group net income of € -4.3 million (€ -5.8 million as at 30.06.2021)
- Net financial position with net cash of € 0.3 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 six months of 2022.

Trend of the period

The first half of the year showed revenues up 30% year-on-year, with a stronger trend in Japan and the U.S., and with the embedded business playing a decisive role, as expected by management for the current year. IoT projects activated in previous years maintained a growth trend of about 15 percent, in line with what was shown in 2021.

Planned undelivered orders due to unavailability of electronic components amount to approximately 4 million euros. A portion of these delays will be recoverable in the next quarter, while a full recovery is likely to happen by the end of the fiscal year.

Despite the war in Ukraine and the prospects of a possible recession in the United States, during the first six months of 2022 we have seen no slowdown in the generation of new opportunities for Edge IoT projects, from which growth will have to come in the years ahead.

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Throughout the first half of the year we spent a great deal of resources and energy on the procurement of electronic components and the finalization of corrective actions that began as early as September 2021: the increase in sales prices came into effect from April; critical issues on particularly hard-to-find components were resolved with the partial redesign of our products, in agreement with customers; and opportunities for the procurement of critical components were seized, accepting an increase in inventories beyond our traditional operating parameters.

The lack of activation of operating leverage prevented a break-even half-year at the EBITDA level, which was also penalized by some one-off operating costs related to the massive recruiting activity carried out in the first six months of the year. Noteworthy is the promising 330 bps improvement in Gross Profit Margin in the second quarter compared to the first..

Economic performance of the Eurotech Group

Consolidated revenues in the first six months of 2022 were €34.74 million, compared to €26.73 million in the six months of 2021, an increase of 30.0% (+25.3% at constant exchange rates).

Net of inter-company sales, the United States generated 45.1 % of total sales (six months 2021: 44.1%) followed by Japan with 34.6% (six months 2021: 30.7%), while the European region accounted for the remaining 20.3% (six months 2021: 25.1%).

The Japanese area expressed the highest year-on-year growth due to the strong order intake from customers in the field of chip-making machines.

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

The European area grew less in this first half of the year than the other areas, but retains double-digit growth potential for the second half of the year thanks in part to the revival of the high-performance Edge Computing systems business for applications in unmanned vehicle research projects.

The **gross profit margin** for the period under review, as a percentage of sales, stood at 42.5% and compares with a figure of 46.7% in the twelve months of 2021 and a value of 49.4% in the first half of 2021. However, the trend of the first margin is up: while the first quarter had

recorded a value of 40.9%, the second quarter expressed a value of 44.2%, and the forecast for the third quarter is for further improvement.

Operating costs before adjustments made and net of nonrecurring costs (for 2021) amounted to €17.90 million, and compares with €16.74 million in the first six months of 2021. The increase in operating costs is in line with the plan to align the operating structure with strategy, and contains one-off items for recruiting costs of Euro 0.5 million.

EBITDA amounted to € -1.57 million (-4.5% of revenues), compared to € -3.12 million in 2021 (-11.7% of revenues). Net of non-recurring costs, adjusted EBITDA for the first six months of 2021 was € -1.70 million. There was also an improving trend for EBITDA during the six-month period: the first quarter had expressed a value of € -1.00 million, while the second quarter stood at € -0.57 million.

EBIT, or operating income for the year, was € -3.99 million (-11.5% of revenues), compared to € -5.41 million in 2021 (-20.2% of revenues).

In terms of **Group net income**, the figure for the first half was € -4.26 million (12.3% of revenues), while it was € -5.76 million in the same period of 2021 (-21.6% of revenues).

Balance sheet and financial situation of the Eurotech Group

As of 30 June 2022, the Group had a positive **net cash position** of Euro 0.3 million, compared to an amount of Euro 6.2 million as of 31 December 2021. The reduction in the net financial position was also due to the increase of 6.0 million euros in inventories.

The Group's **cash and cash equivalents** amounted to 21.3 million euros as of June 30, 2022, while they were 31.7 million euros at the end of 2021.

Net working capital amounted to 13.4 million euros as of June 30, 2022, compared to 10.4 million euros as of December 31, 2021. The growth in working capital is mainly related to the dynamics of component purchases to maximize the production of the existing order book. Net working capital as a percentage of sales for the last 12 rolling months stood at 18.8%, in line with management's objectives.

Group shareholders' equity amounts to Euro 105.2 million (Euro 110.4 million as of December 31, 2021).

Foreseeable evolution of operations

Visibility for the year 2022 given by the order backlog is at about 87M€ and confirms the possibility of double-digit revenue growth over the twelve months.

Initiatives to mitigate the electronic component shortage problem activated between the end of 2021 and the beginning of 2022 began to produce the desired effects in the second quarter, and the indicators that management monitors suggest that the upward trend in the first margin will continue in the next two quarters. In addition, in the second half of the year, the sales mix will benefit from the revival of business on Edge AI systems for research on self-driving vehicles.

During the third quarter, the entry of new personnel in the Marketing&Sales and Research&Development areas, whose hiring has already been contractually defined in the first half of the year, will materialize. Thus, the process of changing the organization to align it with the needs of implementing the outlined strategy will continue.

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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 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

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ANNEXES - ACCOUNTING SCHEDULES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€ '000)	H1 2022 (b)	%	H1 2021 (a)	*of which non recurrent*	%	change (b-a) amount	change (b-a) %
Sales revenue	34,741	100.0%	26,730		100.0%	8,011	30.0%
Cost of material	(19,962)	-57.5%	(13,526)		-50.6%	6,436	47.6%
Gross profit	**14,779**	**42.5%**	**13,204**		**49.4%**	**1,575**	**11.9%**
Services costs	(6,726)	-19.4%	(7,185)	(1,213)	-26.9%	(459)	-6.4%
Lease & hire costs	(370)	-1.1%	(209)		-0.8%	161	77.0%
Payroll costs	(10,428)	-30.0%	(10,154)		-38.0%	274	2.7%
Other provisions and costs	(378)	-1.1%	(610)	(202)	-2.3%	(232)	-38.0%
Other revenues	1,557	4.5%	1,834		6.9%	(277)	-15.1%
EBITDA	**(1,566)**	**-4.5%**	**(3,120)**	**(1,415)**	**-11.7%**	**1,554**	**49.8%**
Depreciation & Amortization	(2,424)	-7.0%	(2,292)		-8.6%	132	5.8%
EBIT	**(3,990)**	**-11.5%**	**(5,412)**	**(1,415)**	**-20.2%**	**1,422**	**26.3%**
Finance expense	(1,289)	-3.7%	(805)		-3.0%	484	60.1%
Finance income	961	2.8%	431		1.6%	530	123.0%
Profit before tax	**(4,318)**	**-12.4%**	**(5,786)**	**(1,415)**	**-21.6%**	**1,468**	**25.4%**
Income tax	55	0.2%	25		0.1%	(30)	-120.0%
Net profit (loss) of continuing operations before minority interest	**(4,263)**	**-12.3%**	**(5,761)**	**(1,415)**	**-21.6%**	**1,498**	**26.0%**
Minority interest	**-**	**0.0%**	**-**		**0.0%**	**-**	**n/a**
Group net profit (loss) for period	**(4,263)**	**-12.3%**	**(5,761)**	**(1,415)**	**-21.6%**	**1,498**	**26.0%**
Base earnings per share	**(0.120)**		**(0.163)**				
Diluted earnings per share	**(0.120)**		**(0.163)**				

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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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, 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**

CONDENSED CASH FLOW STATEMENT

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

NET FINANCIAL POSITION

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

NET WORKING CAPITAL

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

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