press release

# EUROTECH: CONSOLIDATED INTERIM MANAGEMENT REPORT AS AT SEPTEMBER 30, 2022 APPROVED BY THE BOARD OF DIRECTORS

*EBITDA was positive in the third quarter thanks to double-digit organic revenue growth and first margin recovery of 370 bps over the second quarter. EBITDA for the nine months was positive too.*

**Amaro (Italy), 14 November 2022**

- Consolidated revenues of € 59.8 million (€ 44.0 million as at 30.09.2021, +36.1%)
- Consolidated gross profit of € 26.8 million and 44.8% of revenues (€ 20.8 million and 47.4% of revenues as at 30.09.2021)
- Consolidated EBITDA of € 0.5 million (€ -3.1 million as at 30.09.2021)
- Consolidated EBIT of € -3.2 million (€ -6.5 million as at 30.09.2021)
- Group net income of € -3.7 million (€ -6.9 million as at 30.09.2021)
- Net financial position of € 15.7 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 nine months of 2022.

## *Trend of the period*

The first nine months of 2022 showed revenues growing organically by 32.8% year-on-year (26.8% at constant exchange rates). Including the contribution of the newly acquired InoNet, growth rises to 36.1 % (29.9% at constant exchange rates).

As already observed in the first six months of the year, the embedded business played a crucial role in revenue growth, as expected by management for the year. Organic business growth in the Edge IoT showed a rate of about 21.4%, while overall growth in the nine months rose to 41.6% due to the contribution of InoNet for the month of September alone.

Planned undelivered orders due to unavailability of electronic components amount to approximately 2 million euros. A portion of these delays will be recoverable in the next quarter.

In the third quarter, the operating structure again devoted a great deal of resources and energy to the timely procurement of electronic components needed to finalize the production of

orders in the backlog. Opportunities for advance purchase of critical components were seized, accepting an increase in inventories beyond our traditional operating parameters.

The activation of operating leverage in the third quarter enabled the achievement of an adjusted EBITDA at 12% of revenues, a value that allowed the complete recovery of the negative EBITDA of the first two quarters.

This result was also made possible by a first margin at 47.9% in the third quarter, up 370 bps from the second quarter thanks to actions to raise prices, redesign some products which use critical components, and targeted actions on the supply chain.

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

**Consolidated revenues** in the first nine months of 2022 were €59.83 million, compared to €43.95 million in the nine months of 2021, an increase of 36.1% (+32.8% at constant exchange rates).

Net of inter-company sales, the United States generated 44.3% of total sales (nine months 2021: 47.9%) followed by Japan with 34.1% (nine months 2021: 29.2%), while the European region accounted for the remaining 21.7% (nine months 2021: 22.9%).

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.

Thanks to the acceleration in the third quarter of the Edge Computing systems business for applications in autonomous driving, the European area also achieved double-digit growth in line with other areas.

The **gross profit margin** for the period under review, as a percentage of sales, stood at 44.8% and compares with a figure of 46.7% in the twelve months of 2021 and a value of 47.4% in the first nine months of 2021. The trend of the first margin is in a steady increase and normalization: the first quarter had recorded a value of 40.9%, the second quarter expressed a value of 44.2%, and the third quarter showed a value of 47.9%.

**Operating costs** before adjustments made and net of nonrecurring costs amounted to €27.48 million, and compares with €25.06 million in the first six months of 2021. The increase of €2.42

million includes one-off recruiting costs of €0.5 million and non-recurring costs for the acquisition of InoNet of €0.9 million. The trend in operating costs is in line with the plan to align the operating structure with the strategy.

**EBITDA** amounted to € 0.49 million (0.8% of revenues), compared to €-3.11 million in 2021 (-7.1% of revenues). Net of non-recurring costs, adjusted EBITDA for the first nine months of 2022 was €1.41 million (2.4% of revenues), compared to €-1.64 million in 2021 (-3.7% of revenues). Also for the EBITDA, over the quarters there was an improving trend: the first quarter had expressed a value of €-1.00 million, the second quarter stood at €-0.57 million, and the third quarter reached a value of €2.05 million.

**EBIT**, or operating income for the year, was €-3.17 million (-5.3% of revenues), compared to €-6.53 million in 2021 (-14.9% of revenues).

In terms of **Group net income**, the figure for the first nine months was € -3.74 million (-6.3% of revenues), while it was € -6.89 million in the same period of 2021 (-15.7% of revenues).

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

As of 30 June 2022, the Group had a **net financial position** with a net debt of €15.7 million, compared to a net cash amount of €6.2 million as of 31 December 2021. The change in net financial position was mainly due to three factors: for €10.37 million for the cash outflow for the payment of the purchase of InoNet, for €4.0 million for the consolidation of InoNet's net financial position, and for €8.8 million for the increase in working capital related to the increase in inventories.

The Group's **cash and cash equivalents** amounted to €14.8 million as of September 30, 2022, while they were €31.7 million at the end of 2021.

**Net working capital** amounted to €19.2 million as of September 30, 2022, compared to €13.4 as of June 30, 2022 and €10.4 million as of December 31, 2021. The growth in working capital is related to the change in the scope of consolidation due to the entry of InoNet for €2.3 million and to the dynamics of component purchases to maximize production from the existing order book. The ratio of net working capital to pro-forma sales for the last 12 rolling months - i. e., including InoNet virtually for the entire period - stands at 20.2%.

**Group shareholders' equity** amounts to Euro 108.3 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€ for the historical consolidation perimeter and confirms the possibility of a double-digit organic revenue growth over the twelve months. The inorganic growth contribution from the newly acquired InoNet for the year 2022 is estimated at €4-5 million.

Initiatives to mitigate the electronic component shortage problem activated between the end of 2021 and the beginning of 2022 have produced the desired effects and the indicators that management monitors suggest that the upward trend in the first margin will continue also in the fourth quarter. 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 fourth 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)* | 9M 2022 (b) | *of which non recurrent* | % | 9M 2021 (a) | *of which non recurrent* | % | change (b-a) amount | % |
|---|---|---|---|---|---|---|---|---|
| Sales revenue | 59,825 | | 100.0% | 43,954 | | 100.0% | 15,871 | 36.1% |
| Cost of material | (33,032) | | -55.2% | (23,132) | | -52.6% | 9,900 | 42.8% |
| **Gross profit** | **26,793** | | **44.8%** | **20,822** | | **47.4%** | **5,971** | **28.7%** |
| Services costs | (11,081) | (920) | -18.5% | (10,169) | (1,270) | -23.1% | 912 | 9.0% |
| Lease & hire costs | (624) | | -1.0% | (293) | | -0.7% | 331 | 113.0% |
| Payroll costs | (16,183) | - | -27.1% | (15,236) | | -34.7% | 947 | 6.2% |
| Other provisions and costs | (515) | - | -0.9% | (837) | (202) | -1.9% | (322) | -38.5% |
| Other revenues | 2,097 | | 3.5% | 2,600 | | 5.9% | (503) | -19.3% |
| **EBITDA** | **487** | **(920)** | **0.8%** | **(3,113)** | **(1,472)** | **-7.1%** | **3,600** | **-115.6%** |
| Depreciation & Amortization | (3,660) | | -6.1% | (3,418) | | -7.8% | 242 | 7.1% |
| Asset impairment | 0 | - | 0.0% | 0 | | 0.0% | 0 | n/a |
| **EBIT** | **(3,173)** | **(920)** | **-5.3%** | **(6,531)** | **(1,472)** | **-14.9%** | **3,358** | **51.4%** |
| Finance expense | (2,297) | | -3.8% | (900) | | -2.0% | 1,397 | 155.2% |
| Finance income | 2,108 | | 3.5% | 589 | | 1.3% | 1,519 | 257.9% |
| **Profit before tax** | **(3,362)** | **(920)** | **-5.6%** | **(6,842)** | **(1,472)** | **-15.6%** | **3,480** | **50.9%** |
| Income tax | (380) | | -0.6% | (47) | | -0.1% | 333 | n.s. |
| **Net profit (loss) of continuing operations before minority interest** | **(3,742)** | **(920)** | **-6.3%** | **(6,889)** | **(1,472)** | **-15.7%** | **3,147** | **45.7%** |
| **Minority interest** | **-** | | **0.0%** | **-** | | **0.0%** | **-** | **n/a** |
| **Group net profit (loss) for period** | **(3,742)** | **(920)** | **-6.3%** | **(6,889)** | **(1,472)** | **-15.7%** | **3,147** | **45.7%** |
| **Base earnings per share** | **(0.106)** | | | **(0.195)** | | | | |
| **Diluted earnings per share** | **(0.106)** | | | **(0.195)** | | | | |

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eurotech
UNLEASHING THE POWER OF THE EDGE

| (€ '000) | 3rd Qtr 2022 | of which non recurrent | % | 3rd Qtr 2021 | of which non recurrent | % |
|---|---|---|---|---|---|---|
| Sales revenue | 25,084 | | 100% | 17,224 | | 100% |
| Cost of material | (13,070) | | -52.1% | (9,606) | | -55.8% |
| **Gross profit** | **12,014** | | **47.9%** | **7,618** | | **44.2%** |
| Services costs | (4,355) | (920) | -17.4% | (2,984) | (57) | -17.3% |
| Lease & hire costs | (254) | | -1.0% | (84) | | -0.5% |
| Payroll costs | (5,755) | | -22.9% | (5,082) | | -29.5% |
| Other provisions and costs | (137) | | -0.5% | (227) | | -1.3% |
| Other revenues | 540 | | 2.2% | 766 | | 4.4% |
| **EBITDA** | **2,053** | | **8.2%** | **7** | | **0.0%** |
| Depreciation & Amortization | (1,236) | | -4.9% | (1,126) | | -6.5% |
| Asset impairment | 0 | | 0.0% | 0 | | 0.0% |
| **EBIT** | **817** | | **3.3%** | **(1,119)** | | **-6.5%** |
| Finance expense | (1,008) | | -4.0% | (95) | | -0.6% |
| Finance income | 1,147 | | 4.6% | 158 | | 0.9% |
| **Profit before tax** | **956** | | **3.8%** | **(1,056)** | | **-6.1%** |
| Income tax | (435) | | -1.7% | (72) | | -0.4% |
| **Net profit (loss) of continuing operations before minority interest** | **521** | | **2.1%** | **(1,128)** | | **-6.5%** |
| **Minority interest** | **0** | | **0.0%** | **0** | | **0.0%** |
| **Group net profit (loss) for period** | **521** | | **2.1%** | **(1,128)** | | **-6.5%** |

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *(€'000)* | at September 30, 2022 | at December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| Intangible assets | 95,517 | 88,043 |
| Property, Plant and equipment | 7,956 | 5,229 |
| Investments in other companies | 560 | 542 |
| Deferred tax assets | 6,957 | 6,504 |
| affiliates companies and other Group companies | 72 | 62 |
| Other non-current assets | 568 | 620 |
| **Total non-current assets** | **111,630** | **101,000** |
| Inventories | 30,422 | 17,646 |
| Trade receivables | 16,178 | 11,280 |
| Income tax receivables | 751 | 801 |
| Other current assets | 1,595 | 2,130 |
| Other current financial assets | 139 | 123 |
| Derivative instruments | 196 | 4 |
| Cash & cash equivalents | 14,827 | 31,704 |
| **Total current assets** | **64,108** | **63,688** |
| **Non-current assets classified as held for sale** | **-** | **365** |
| **Total assets** | **175,738** | **165,053** |
| **LIABILITIES AND EQUITY** | | |
| Share capital | 8,879 | 8,879 |
| Share premium reserve | 136,400 | 136,400 |
| Other reserves | ( 36,940) | ( 34,843) |
| **Group shareholders' equity** | **108,339** | **110,436** |
| **Equity attributable to minority interest** | **-** | **-** |
| **Total shareholders' equity** | **108,339** | **110,436** |
| Medium-/long-term borrowing | 14,678 | 17,535 |
| Employee benefit obligations | 2,720 | 2,844 |
| Deferred tax liabilities | 3,047 | 3,200 |
| Other non-current liabilities | 981 | 1,477 |
| Business combination liabilities | 900 | - |
| **Total non-current liabilities** | **22,326** | **25,056** |
| Trade payables | 21,693 | 13,005 |
| Short-term borrowing | 15,356 | 8,137 |
| Derivative instruments | - | 11 |
| Income tax liabilities | 917 | 215 |
| Other current liabilities | 7,107 | 8,193 |
| **Total current liabilities** | **45,073** | **29,561** |
| **Total liabilities** | **67,399** | **54,617** |
| **Total liabilities and equity** | **175,738** | **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 September 30, 2022 | - | - | - | - | - | - | - | - | - | ( 3,742) | ( 3,742) | - | ( 3,742) |
| *Comprehensive other profit (loss):* | | | | | | | | | | | | | |
| - Hedge transactions | - | - | - | - | | 202 | - | - | - | - | 202 | - | 202 |
| - Actuarial gains/(losses) on defined benefit plans for employees | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Foreign balance sheets conversion difference | - | - | - | ( 3,841) | - | | | - | - | - | ( 3,841) | - | ( 3,841) |
| - Exchange differences on equity investments in foreign companies | - | - | - | - | - | - | - | 5,020 | - | - | 5,020 | - | 5,020 |
| **Total Comprehensive result** | **-** | **-** | **-** | **( 3,841)** | **-** | **202** | **-** | **5,020** | **-** | **( 3,742)** | **( 2,361)** | **-** | **( 2,361)** |
| - Performance Share Plan | - | - | - | - | 264 | - | - | - | - | - | 264 | - | 264 |
| **Balance as at September 30, 2022** | **8,879** | **1,776** | **136,400** | **6,443** | **( 49,875)** | **196** | **( 621)** | **9,094** | **( 211)** | **( 3,742)** | **108,339** | **-** | **108,339** |

## CONDENSED CASH FLOW STATEMENT

| (€'000) | | at September 30, 2022 | at December 31, 2021 | at September 30, 2021 |
|---|---|---|---|---|
| Cash flow generated (used) in operations | A | ( 6,041) | 3,279 | 824 |
| Cash flow generated (used) in investment activities | B | ( 11,278) | ( 5,274) | ( 4,353) |
| Cash flow generated (absorbed) by financial assets | C | ( 267) | ( 8,059) | ( 4,707) |
| Net foreign exchange difference | D | 709 | 536 | 453 |
| Increases (decreases) in cash & cash equivalents | E=A+B+C+D | ( 16,877) | ( 9,518) | ( 7,783) |
| **Opening amount in cash & cash equivalents** | | **31,704** | **41,222** | **41,222** |
| **Cash & cash equivalents at end of period** | | **14,827** | **31,704** | **33,439** |

## NET FINANCIAL POSITION

| (€'000) | | at September 30, 2022 | at December 31, 2021 | at September 30, 2021 |
|---|---|---|---|---|
| Cash | A | ( 14,827) | ( 31,704) | ( 33,439) |
| Cash equivalents | B | - | - | - |
| Other current financial assets | C | ( 335) | ( 123) | ( 121) |
| **Cash equivalent** | **D=A+B+C** | **( 15,162)** | **( 31,827)** | **( 33,560)** |
| Current financial debt | E | 2,241 | 99 | 152 |
| Current portion of non-current financial debt | F | 13,115 | 8,045 | 8,311 |
| **Short-term financial position** | **G=E+F** | **15,356** | **8,144** | **8,463** |
| **Short-term net financial position** | **H=G+D** | **194** | **( 23,683)** | **( 25,097)** |
| Non current financial debt | I | 14,678 | 17,535 | 20,335 |
| Debt instrument | J | - | - | - |
| Trade payables and other non-current payables | K | 900 | - | - |
| **Medium-/long-term net financial position** | **L=I+J+K** | **15,578** | **17,535** | **20,335** |
| **(NET FINANCIAL POSITION) NET DEBT ESMA** | **M=H+L** | **15,772** | **( 6,148)** | **( 4,762)** |
| Medium/long term borrowing allowed to affiliates companies and other Group companies | N | ( 72) | ( 62) | ( 61) |
| **(NET FINANCIAL POSITION) NET DEBT** | **O=M+N** | **15,700** | **( 6,210)** | **( 4,823)** |

## NET WORKING CAPITAL

| (€'000) | September 30, 2022 (b) | at December 31, 2021 (a) | September 30, 2021 | Changes (b-a) |
|---|---|---|---|---|
| Inventories | 30,422 | 17,646 | 18,546 | 12,776 |
| Trade receivables | 16,178 | 11,280 | 10,275 | 4,898 |
| Income tax receivables | 751 | 801 | 1,744 | (50) |
| Other current assets | 1,595 | 2,130 | 2,201 | (535) |
| **Current assets** | **48,946** | **31,857** | **32,766** | **17,089** |
| Trade payables | (21,693) | (13,005) | (11,523) | (8,688) |
| Income tax liabilities | (917) | (215) | (268) | (702) |
| Other current liabilities | (7,107) | (8,193) | (7,924) | 1,086 |
| **Current liabilities** | **(29,717)** | **(21,413)** | **(19,715)** | **(8,304)** |
| **Net working capital** | **19,229** | **10,444** | **13,051** | **8,785** |

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