

EUROTECH: CONSOLIDATED FINANCIAL STATEMENTS AND DRAFT OF SEPARATE FINANCIAL STATEMENTS FOR 2022 APPROVED BY THE BOD

Double-digit organic revenue growth trend confirmed again in the fourth quarter. Adjusted EBITDA at 7.6% over the twelve months with a peak at 16.8% over the last quarter due to activation of operating leverage. Positive pre-tax income for the year.

Amaro (Italy), 15 March 2023

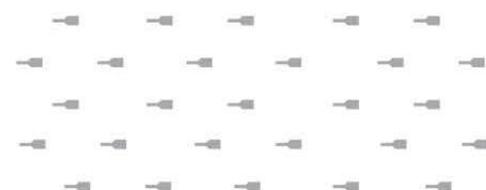
- Consolidated revenues of € 94.3 million (€ 63.1 million as at 31.12.2021, +49.3 at historic exchange rates and +43.9% at constant exchange rates)
- Consolidated gross profit of € 42.4 million and 45.0% of revenues (€ 29.5 million and 46.7% of revenues as at 31.12.2021)
- Consolidated EBITDA of € 6.3 million (€ -2.7 million as at 31.12.2021)
- Consolidated EBITDA adjusted of € 7.2 million (€ -0.3 million at 31.12.2021)
- Consolidated EBIT of € 0.8 million (€ -7.6 million as at 31.12.2021)
- Group net income of € -1.5 million (€ -10.4 million as at 31.12.2021)
- Net debt of € 14.4 million (net cash of € 6.2 million as at 31.12.2021)

The Board of Directors of Eurotech S.p.A. today examined and approved the Consolidated Financial Statements and draft of Separate Financial Statements for 2022.

Trend of the period

2022 showed revenues growing organically by 41.0% year-on-year (35.9% at constant exchange rates). Including the contribution of the newly acquired InoNet from September to December, growth rose to 49.3% (43.9% at constant exchange rates).

The traditional Embedded business played a decisive role in revenue growth over the 12-month period, as predicted by management since the beginning of 2022. However, there was also significant organic growth in the Edge AIoT business during the year and particularly in the second half of the year, which showed a 58% increase over 2021; including the contribution of InoNet for the last four months of the year, the overall year-on-year revenue growth in Edge AIoT rises to 110%.



Planned orders not delivered due to unavailability of electronic components amount to about €4 million. Some of these delays will be recovered as early as the first quarter of 2023.

During the fourth quarter, the operating structure continued to devote resources and energy to the timely procurement of electronic components needed to finalize the production of orders in the backlog. Opportunities for early procurement of critical components were seized, continuing to accept inventory levels beyond our traditional operating parameters. The overall situation of electronic component availability has improved since the middle of the third quarter, except for some components with fewer alternatives or more recently introduced to the market, for which procurement lead times have remained beyond 6 months and peaking at 9-12 months.

The activation of operating leverage in the fourth quarter enabled the achievement of adjusted EBITDA at 16.8% of revenues, a figure that made for a full-year positive pretax result of €0.8 million.

Economic performance of the Eurotech Group

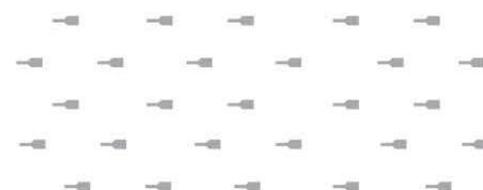
At **equal perimeter, revenues** in the twelve months of 2022 were €89.03 million, compared to €63.15 million in 2021, an increase of 41.0% (+35.9% at constant exchange rates). Including the contribution of InoNet, which was consolidated for the last four months of the year, **total revenues** were €94.26 million, an overall increase of 49.3% (+43.9% at constant exchange rates).

Net of inter-company sales, the United States generated 42.1% of total sales (2021: 45.4%) followed by Japan with 30.4% (2021: 32.3%), while the European region accounted for the remaining 27.5% (2021: 22.4%).

The Japanese area generated more than 40% year-on-year growth due to strong order intake from customers in the chip-making machines business.

The U.S. area also grew in double digits (over 35%) on the back of the trend in the traditional embedded business, as already seen during 2021.

Thanks to the acceleration in the second half of the year of the Edge Computing systems business for applications in autonomous driving, the European area also achieved double-digit organic growth in line with the other areas. In addition, the European area grew further due to the consolidation of InoNet.



Net of the InoNet effect, the **gross profit margin** in 2022 as a percentage of sales was 45.6% and compares with a 46.7% margin in 2021. Including InoNet, the first margin was 45.0%. It should be noted that InoNet's first margin was tainted by an imbalance in mix and uncharacteristic purchase cost effects; therefore, the figure over the four consolidated months is not representative of the company's true potential.

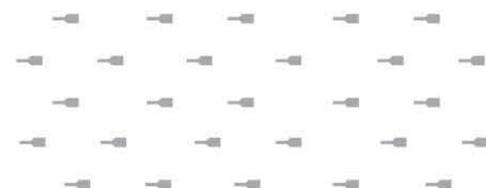
On a like-for-like basis, the first margin improved 470 bps over the twelve-month period compared to the value recorded in the first quarter, confirming the effectiveness of the actions implemented to counter the effects of the component shortage: increasing sales prices, redesigning some systems to 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.

In the fourth quarter, the first margin was affected by some residual effects of the electronic component shortage: in particular, due to longer procurement lead times on some chips for high-end products, the sales mix was more unbalanced towards lower-margin products.

Operating costs before adjustments made and net of nonrecurring costs amounted to €37.13 million, and compares with €33.69 million in the first six months of 2021. The increase of €3.44 million includes one-off recruiting costs of €0.5 million and non-recurring costs for the acquisition of InoNet of €0.9 million. The inclusion of InoNet in the consolidation perimeter contributed €1.79 million. The organic trend in operating costs showed an increase of 10.2%, partly due to the increase in average salary costs as a result of the shortage of talent in tech roles and partly due to the plan to align the operating structure with the strategy defined by management.

EBITDA amounted to €6.3 million (6.6% of revenues), compared to €-2.75 million in 2021 (-4.4% of revenues). InoNet's contribution was €0.07 million and as in the case of the first margin is not significant of possible future performance. Net of non-recurring costs and on a like-for-like basis, adjusted EBITDA in 2022 was €7.18 million (7.6% of revenues), compared to €-0.33 million in 2021 (-0.5% of revenues). Adjusted EBITDA showed a clear trend of improvement in the second half of the year, which allowed for the complete recovery of the negative performance of the first half of the year.

EBIT, or operating income for the year, was €0.75 million (0.8% of revenues), compared to €-7.59 million in 2021 (-12% of revenues).



In terms of **Group net income**, the figure for the twelve months was €-1.55 million (-1.6% of revenues), while it was €-10.41 million in the same period of 2021 (-16.5% of revenues).

Balance sheet and financial situation of the Eurotech Group

As of 31 December 2022, the Group had a **net financial position** with a net debt of €14.4 million, compared to a net debt of €15.7 million as of 30 September 2022 and a net cash amount of €6.2 million as of 31 December 2021. The change in the net financial position was mainly due to a combination of three factors: €11.3 million for cash outflow and recorded debt related to the acquisition of InoNet, €3.8 million from the consolidation of InoNet's net financial position, and €9.5 million from the increase in working capital, which in turn was related to both the increase in inventories and the temporary increase in customer receivables due to very strong sales in the fourth quarter.

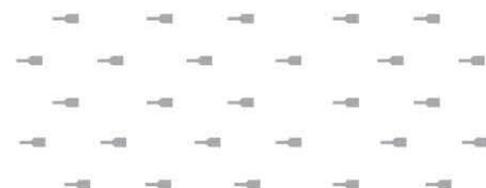
The Group's **cash and cash equivalents** amounted to €18.1 million as of 31 December 2022, while they were €14.8 million as of 30 September 2022 and €31.7 million at the end of 2021.

Net working capital amounted to €19.9 million as of 31 December 2022, compared to €19.2 million as of 30 September 2022 and €10.4 million as of 31 December 2021. The growth in working capital related to the change in the scope of consolidation due to the entry of InoNet was €2.1 million. 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 18.8%.

Group shareholders' equity amounts to €106.5 million (€110.4 million as of December 31, 2021).

Foreseeable evolution of operations

Visibility for the first half 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. In any case, 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.

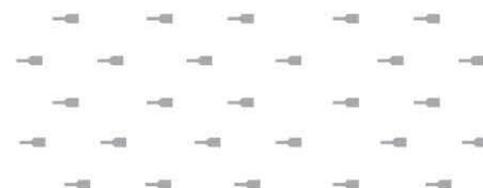
During the year, the entry of new staff will continue, particularly in the areas of Strategic Marketing, Pre-Sales Technical Support and Sales, to enable the company to accelerate in business development. Thus, the process of evolving the organization to align it with the needs of implementing the outlined strategy will continue.

Separate Financial Statements of the Parent Company, Eurotech S.p.A.

Revenues of the parent company Eurotech S.p.A. increased by 46.4% and amounted to €24.08 million, compared to €16.45 million in 2021. Operating income for the year amounted to €-5.62 million, while in 2021 it was €-7.61 million. The net result for the year showed a loss of €4.46 million (in 2021: loss of €6.63 million). Shareholders' equity of Eurotech S.p.A. as of December 31, 2022 was €137.16 million, compared to €140.74 million in 2021. The Parent Company showed a net financial position, or net cash, of €13.41 million in 2022, compared to the 2021 figure of €29.95 million.

The Board of Directors will propose to the shareholders' meeting to carry forward the loss for the year of €4,456,376.

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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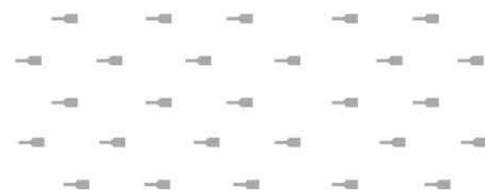
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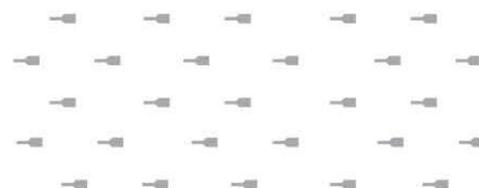
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ANNEXES - ACCOUNTING SCHEDULES

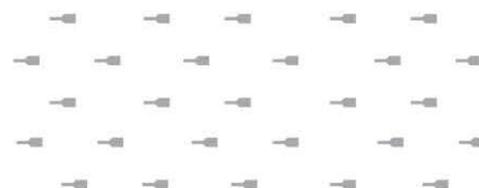
CONSOLIDATED PROFIT AND LOSS ACCOUNT

CONSOLIDATED INCOME STATEMENT								
(€ '000)	FY 2022 (b)	of which non recurrent	%	FY 2021 (a)	of which non recurrent	%	change (b-a)	
							amount	%
Sales revenue	94,264		100.0%	63,148		100.0%	31,116	49.3%
Cost of material	(51,871)		-55.0%	(33,670)		-53.3%	18,201	54.1%
Gross profit	42,393		45.0%	29,478		46.7%	12,915	43.8%
Services costs	(14,657)	(913)	-15.5%	(13,623)	(1,357)	-21.6%	1,034	7.6%
Lease & hire costs	(823)		-0.9%	(386)		-0.6%	437	113.2%
Payroll costs	(23,453)	-	-24.9%	(20,721)	(488)	-32.8%	2,732	13.2%
Other provisions and costs	(901)	-	-1.0%	(1,384)	(577)	-2.2%	(483)	-34.9%
Other revenues	3,705		3.9%	3,889		6.2%	(184)	-4.7%
EBITDA	6,264	(913)	6.6%	(2,747)	(2,422)	-4.4%	9,011	-328.0%
Depreciation & Amortization	(5,513)		-5.8%	(4,574)		-7.2%	939	20.5%
Asset impairment	0	-	0.0%	(266)	(61)	-0.4%	(266)	-100.0%
EBIT	751	(913)	0.8%	(7,587)	(2,483)	-12.0%	8,338	-109.9%
Finance expense	(2,609)		-2.8%	(1,295)		-2.1%	1,314	101.5%
Finance income	2,647		2.8%	896		1.4%	1,751	195.4%
Profit before tax	789	(913)	0.8%	(7,989)	(2,483)	-12.7%	8,778	-109.9%
Income tax	(2,335)		-2.5%	(2,419)		-3.8%	(84)	-3.5%
Net profit (loss) of continuing operations before minority interest	(1,546)	(913)	-1.6%	(10,408)	(2,483)	-16.5%	8,862	85.1%
Minority interest	-	-	0.0%	-	-	0.0%	-	n/a
Group net profit (loss) for period	(1,546)	(913)	-1.6%	(10,408)	(2,483)	-16.5%	8,862	85.1%



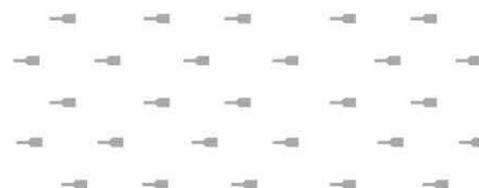
CONSOLIDATED INCOME STATEMENT

(€ '000)	4rd Qtr 2022	<i>of which non recurrent</i>	% 4rd Qtr 2021	<i>of which non recurrent</i>	%
Sales revenue	34,439		100%	19,194	100%
Cost of material	(18,839)		-54.7%	(10,538)	-54.9%
Gross profit	15,600		45.3%	8,656	45.1%
Services costs	(3,576)	7	-10.4%	(4,317)	(950)
Lease & hire costs	(199)		-0.6%	(93)	-0.5%
Payroll costs	(7,270)		-21.1%	(4,997)	-26.0%
Other provisions and costs	(386)		-1.1%	(172)	-0.9%
Other revenues	1,608		4.7%	1,289	6.7%
EBITDA	5,777		16.8%	366	1.9%
Depreciation & Amortization	(1,853)		-5.4%	(1,156)	-6.0%
Asset impairment	0		0.0%	(266)	-1.4%
EBIT	3,924		11.4%	(1,056)	-5.5%
Finance expense	(312)		-0.9%	(395)	-2.1%
Finance income	539		1.6%	307	1.6%
Profit before tax	4,151		12.1%	(1,144)	-6.0%
Income tax	(1,955)		-5.7%	(2,372)	-12.4%
Net profit (loss) of continuing operations before minority interest	2,196		6.4%	(3,516)	-18.3%
Minority interest	0		0.0%	0	0.0%
Group net profit (loss) for period	2,196		6.4%	(3,519)	-18.3%



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at December 31, 2022	at December 31, 2021
Intangible assets	93,620	88,043
Property, Plant and equipment	7,425	5,229
Investments in other companies	549	542
Deferred tax assets	5,301	6,504
Medium/long term borrowing allowed to affiliates companies and other Group companies	66	62
Other non-current assets	552	620
Total non-current assets	107,513	101,000
Inventories	26,854	17,646
Trade receivables	19,906	11,280
Income tax receivables	749	801
Other current assets	2,274	2,130
Other current financial assets	139	123
Derivative instruments	205	4
Cash & cash equivalents	18,110	31,704
Total current assets	68,237	63,688
Non-current assets classified as held for sale	-	365
Total assets	175,750	165,053
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(38,764)	(34,843)
Group shareholders' equity	106,515	110,436
Equity attributable to minority interest	-	-
Total shareholders' equity	106,515	110,436
Medium-/long-term borrowing	15,785	17,535
Employee benefit obligations	2,504	2,844
Deferred tax liabilities	2,952	3,200
Other non-current liabilities	999	1,477
Business combination liabilities	900	-
Total non-current liabilities	23,140	25,056
Trade payables	19,780	13,005
Short-term borrowing	16,256	8,137
Derivative instruments	-	11
Income tax liabilities	1,449	215
Other current liabilities	8,610	8,193
Total current liabilities	46,095	29,561
Total liabilities	69,235	54,617
Total liabilities and equity	175,750	165,053

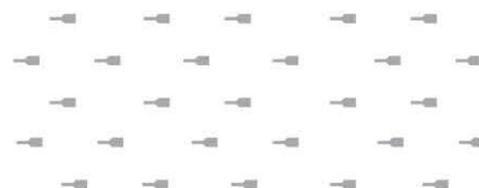


STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€'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
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 December 31, 2022	-	-	-	-	-	-	-	-	-	(1,546)	(1,546)	-	(1,546)
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	211	-	-	-	-	211	-	211
- Actuarial gains/(losses) on defined benefit plans for employees	-	-	-	-	-	-	176	-	-	-	176	-	176
- Foreign balance sheets conversion difference	-	-	-	(4,286)	-	-	-	-	-	-	(4,286)	-	(4,286)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	1,755	-	-	1,755	-	1,755
Total Comprehensive result	-	-	-	(4,286)	-	211	176	1,755	-	(1,546)	(3,690)	-	(3,690)
- Performance Share Plan	-	-	-	-	261	-	-	-	-	-	261	-	261
- Other changes and transfers	-	-	-	-	-	-	-	-	(492)	-	(492)	-	(492)
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

CONDENSED CASH FLOW STATEMENT

(€'000)		at December 31, 2022	at December 31, 2021
Cash flow generated (used) in operations	A	(1,608)	3,279
Cash flow generated (used) in investment activities	B	(13,396)	(5,274)
Cash flow generated (absorbed) by financial assets	C	1,605	(8,059)
Net foreign exchange difference	D	(195)	536
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(13,594)	(9,518)
Opening amount in cash & cash equivalents		31,704	41,222
Cash & cash equivalents at end of period		18,110	31,704



NET FINANCIAL POSITION

(€'000)		at December 31, 2022	at December 31, 2021
Cash	A	(18,110)	(31,704)
Cash equivalents	B	-	-
Other current financial assets	C	(344)	(123)
Cash equivalent	D=A+B+C	(18,454)	(31,827)
Current financial debt	E	2,241	99
Current portion of non-current financial debt	F	14,015	8,045
Short-term financial position	G=E+F	16,256	8,144
Short-term net financial position	H=G+D	(2,198)	(23,683)
Non current financial debt	I	15,785	17,535
Debt instrument	J	-	-
Trade payables and other non-current payables	K	900	-
Medium-/long-term net financial position	L=I+J+K	16,685	17,535
(NET FINANCIAL POSITION) NET DEBT ESMA	M=H+L	14,487	(6,148)
Medium/long term borrowing allowed to affiliates companies and other Group companies	N	(66)	(62)
(NET FINANCIAL POSITION) NET DEBT	O=M+N	14,421	(6,210)

NET WORKING CAPITAL

(€'000)	at December 31, 2022 (b)	at December 31, 2021 (a)	Changes (b-a)
Inventories	26,854	17,646	9,208
Trade receivables	19,906	11,280	8,626
Income tax receivables	749	801	(52)
Other current assets	2,274	2,130	144
Current assets	49,783	31,857	17,926
Trade payables	(19,780)	(13,005)	(6,775)
Income tax liabilities	(1,449)	(215)	(1,234)
Other current liabilities	(8,610)	(8,193)	(417)
Current liabilities	(29,839)	(21,413)	(8,426)
Net working capital	19,944	10,444	9,500

