annual report 2022

AT 31 DECEMBER 2022

eurotech

UNLEASHING THE POWER OF THE EDGE

This document has been translated into English
for the convenience of readers outside Italy.
The original Italian document should be considered
the authoritative version.

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EUROTECH S.p.A.
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Tax code and Udine Company Register no. 01791330309

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Letter to shareholders

Dear Shareholders,

2022 was my first full year in service as CEO of Eurotech… and what a year it has been: navigating through the electronic component shortage, the global effects of the Ukraine war, a new silent battle for tech talents, and the creeping negative sentiment around a world recession. Despite this, looking back it's fair to say we travelled quite some distance in the new direction we set off to in Q3 2021.

In fact, in July 2021 we started a journey by putting focus and critical mass on the few important things:

a) better standardisation and productization of our offering to allow replication & scaling of business in the Edge AIoT market

b) building new channels to market

c) creating a 'One Eurotech' mindset with new talents and improved global processes.

We were starting from a strong technology positioning, but we were needing a stronger go-to-market to execute and transform our technical excellence into sustained double digit growth.

We defined our purpose as becoming a relevant player capable of enabling our customers to connect their mission critical assets to the cloud easily and safely, and allowing them to operate AI on the edge.

We did this without forgetting our heritage and what we have been historically good at: helping customers to solve difficult problems in the most challenging and extreme environments, those with demanding high reliability & security needs. Extreme temperatures, harsh vibrations, shock, humidity & dust are applications in which our three decades of experience enable us to excel.

Our products are differentiated and consistently recognized in the IoT landscape by industry analysts. Eurotech is one of only a handful of companies able to deliver fully integrated edge hardware and edge software underpinned by world-class cybersecurity. We are amongst the few companies in the world capable to achieve the ultimate product cybersecurity certifications IEC 62443-4-2 for integrated edge HW & SW, and this set us apart from the pure hardware or pure software players.

Recapping 2022, we saw a year with a robust organic growth that got us back into positive EBITDA. Our top line did not translate totally to double digit margin figures as we aspire to,

because of the burden of industry component shortage on one hand, and on the need to invest in opex to reinforce the organisation on the other.

We started the year with an order book 50% higher than in 2021 but could not ship significant portions of revenues for two quarters due to the lack of electronic components. Furthermore, extra costs for Purchase Price Variations (PPVs) – the spikes in component purchasing costs – severely diluted our gross profit margin. We put in place an astonishing effort to reverse the trend and I can say now we succeeded: we came back quarter after quarter with tailored actions around pricing to customers, special initiatives on the supply chain and redesign of products.

Besides the effects of the Ukraine war on global economy and sentiment, another type of war was silently spreading out: a fierce battle over tech roles, especially software and IoT engineers, triggered by the inevitable advent of the digital transformation towards the data economy. Throughout the whole 2022 we faced a strong headwind in rolling out our plan of hiring new resources with new skills to implement our strategy. Nevertheless, we succeeded in creating new Strategic Marketing roles supporting vertical markets business development, in expanding Product Management roles to drive standardisation and productization, and in adding cross-regional Corporate roles to streamline Operations and strengthen Purchasing.

On the business development side, we created a strong pipeline of IoT business opportunities that will grow consistently, starting end of 2023 and through 2024. Our time to market is around 18 months and time to revenues can go up to 24-30 months because we sell into mission critical applications, where we can leverage on historical expertise and enjoy longer stickiness. Until new businesses kick-in, our core business, together with the IoT design wins collected in past years have been sustaining us in a healthy mode.

Looking at catalyst for accelerated growth in a shorter term compared to the IoT speed of the verticals we are in, we were able to restart the business in the autonomous driving sector, also leveraging a broader portfolio and customer base enabled by our new acquisition in Germany.

Regarding our strategy of developing new indirect sales channel, we have made a few important steps forward in our relationships with the Hyperscalers (AWS, Microsoft, etc) and with the Large System Integrators (CapGemini, TCS, DXC, etc). Nearly 30% of our new Edge AIoT pipeline starts to come from these channels.

Last but not least, after 13 years of inactivity we successfully closed an M&A operation: we acquired InoNet in September, a German company specialised in IPCs and Edge AI HW with a great fit to our strategy as they bring high level of complementarity both on product portfolio and market coverage. With this acquisition we achieved two important targets: first, a strong positioning in DACH, the second market in the world for Industrial IoT; second, an expansion of our portfolio into more standardised/productised HW that can scale faster and that can still enable the co-selling of our software stack.

Looking to 2023, we still expect a year of transformation whilst we keep developing and closing our new pipeline in Edge AIoT business.

Our ambition is to pivot the mix of the business to more than 70% Edge AIoT business by end of 2025 and this year we will see an acceleration on this shift with Edge AIoT reaching about 35% of our total revenues.

So far we are witnessing a good start of the year in terms of both organic growth and gross profit margin normalisation, but the global sentiment and volatility in the markets is still worrying customers and this translates into delayed decisions on orders released beyond the next 2 quarters. First concern of companies now is not to build up inventories as they await for more clarity and confidence on the future.

Electronic components shortage is biting significantly less compared to one year ago, with general availability growing and lead times reducing. Prices on the other hand are not going down and for the time being the traditional deflation on electronic components linked to Moore's Law is still to come and not in sight.

We will continue to transform our products to make them more modular and scalable, our processes to make them more resilient and we will add new people to the organisation to continue the build up what we weren't able to fully accomplish last year.

We will keep a strong focus and effort on the creation of a pipeline of new logos on Edge AIoT business in the four verticals we have chosen to focus on: Industrial Automation, Medical, Transportation, Energy and Grids.

We will devote a special attention at creating a mix of initiatives to balance short and long-term revenues. Longer term revenues will come from IoT ramp ups and shorter term revenues will come from Certified Edge AI devices with built-in cybersecurity, consolidated Edge devices as appliances with integrated AI and in-vehicle validation systems for ADAS.

Looking to the future, Eurotech is poised to be a relevant player in the Edge AIoT domain.

Pairing IoT connectivity with artificial intelligence computing at the edge is the most exciting opportunity to help our customers succeed in their technical and commercial goals. Cybersecurity remains a major concern for customers as operational technologies become increasingly connected to the outside world. At the same time, there is a growing recognition that pushing all data to cloud hosted applications is wasteful and inefficient. Processing as much data as possible at or near its source – edge computing – can offer significant benefits, including lower latency and lower operating costs. With our integrated HW and SW platform, we are uniquely positioned to help customers to implement AI applications close to their

assets quickly, seamlessly, and securely. Our opensource SW platform allows high interoperability for the customer. It is also proving to be valuable for many AI independent software vendors and partners traveling to market with us as a “one stop shop” technically and commercially for the end customer. I firmly believe this is a natural evolution of existing Edge AIoT markets and, despite the uncertainties we are witnessing on the World economy, edge AI markets will experience accelerated growth over the next years.

The destination is clear, and so is the road ahead: with the passion and dedication of the whole Eurotech team we will navigate through the turbulence of the present macroeconomic and geopolitical environments. We will return your commitment as an investor into aspired value creation as we accomplish our vision of becoming a relevant Edge AIoT player.

16 March 2023

signed

Paul Chawla

CEO

Corporate information

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 28 April 2020 and was supplemented at the Annual General Meeting of 11 June 2021; it will remain in office until approval of the 2022 financial statements.

The Board of Statutory Auditors currently in office, with the exception of Mr. Monterisi, who took over on 23 June 2021 from the auditor Mr. Rebecchini, who resigned, was appointed by shareholders at the Annual General Meeting of 28 April 2020, and will remain in office until approval of the 2022 financial statements.

The independent auditor was appointed for the period 2014-2022 by shareholders at the Annual General Meeting of 24 April 2014.

Information for shareholders

The ordinary shares of Eurotech S.p.A., the Parent Company of the Eurotech Group, have been listed in the Euronext Star Milan segment of the Eurostar Milan market run by Borsa Italiana since 30 November 2005.

Share capital of Eurotech S.p.A. at 31 December 2022

Share capital	€8,878,946.00
Number of ordinary shares (without nominal unit value)	35,515,784
Number of savings shares	-
Number of Eurotech S.p.A. ordinary treasury shares	255,606
Stock market capitalisation (based on the share's average price in 2022)	€125 million
Stock market capitalisation (based on the share's average price in December 2022)	€102 million
Stock market capitalisation (based on the share's relevant price at 31 December 2022)	€102 million

Performance of Eurotech S.p.A. shares

Relative performance Eurotech S.p.A.
01.01.2022 – 31.12.2022

Management report

Introduction

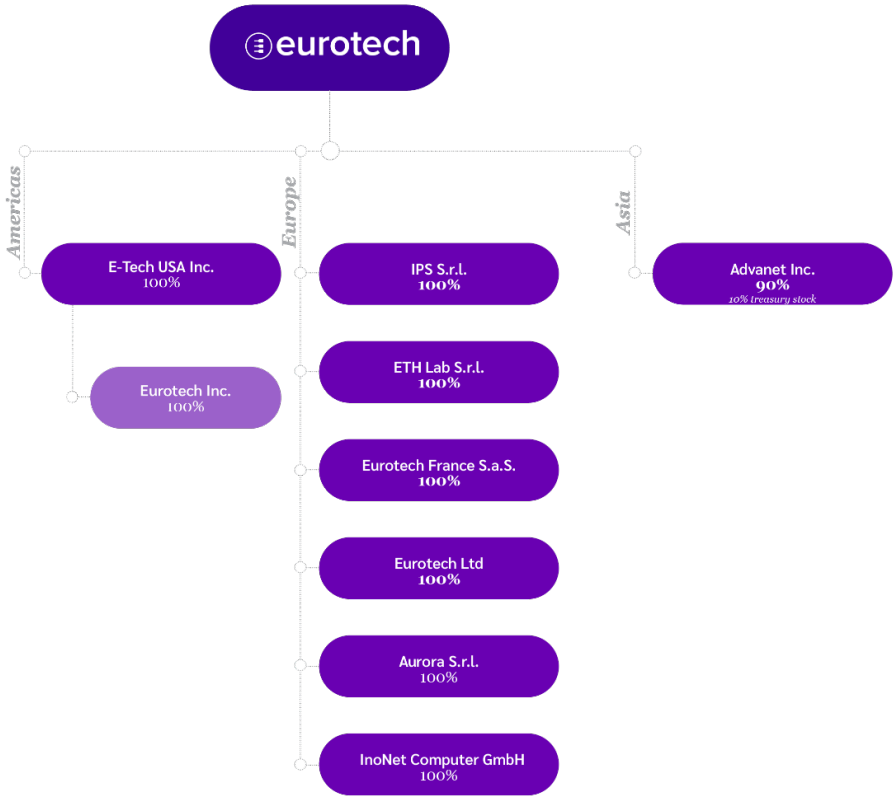
The Eurotech Group's business and financial results for FY2022 and comparative periods have been drawn up according to the International Accounting and Financial Reporting Standards (IASs/IFRSs) issued by the International Accounting Standards Board and endorsed by the European Union. Unless otherwise stated, data are expressed in thousands of euro.

The Eurotech Group

The Eurotech Group operates in the sector of research, development, production and marketing of miniaturised, high-performance and high-energy efficiency computers for special uses named NanoPCs.
The Group's product offering is modular with different levels of hardware and software integration, consisting of modules (Embedded PCs) and miniaturised or non-miniaturised electronic systems (Edge gateways, Edge servers and Edge AI) that can have high processing capabilities and very high energy efficiency, as well as software platforms for the Internet of Things, currently intended for the industrial automation, transport&off-road, medical, energy-gas-water networks and telecommunications sectors.

At 31 December 2022, the Eurotech Group consisted of the following companies:

(1) For the purposes of consolidation 100% is taken into account, since the company holds the remaining 10% in the form of treasury shares.



Update on the implications of the Covid-19 pandemic

During the year, all Eurotech Group companies continued to monitor the development of the COVID-19 pandemic at their sites by maintaining the necessary hygiene precautions and measures to preserve the health

of employees and to manage the biological risk in the workplace, also in accordance with local regulations. Consequently, measures to prevent and control the pandemic have been taken so far and will possibly be taken in the future promptly by continuing with the use of remote work, for those roles and activities for which it is materially possible, but ensuring business continuity across all geographical areas.
It should be noted that during 2022, all of the Group's factories carried out normal operations and, consequently, also in the light of the pandemic trend, no noteworthy economic effects on future business development are expected if conditions gradually improve or remain as they are today.

Russia-Ukraine conflict

One year after the outbreak of the conflict in Ukraine, the Eurotech Group is closely monitoring developments and possible risks that may arise from it.
The Eurotech Group had no significant direct impact as sales of products and services in the areas affected by the conflict were insignificant in the past and there are no credit exposures to customers in those geographic areas.
With reference to the indirect effects resulting from the conflict, these are difficult to quantify, but can be summarised in those effects resulting from interruptions or delays in some supplies of raw materials and components and the effects associated with the increase in the price of raw materials and energy that affected the rise in production prices by some subcontractors.
In the context of the humanitarian emergency following the conflict, Eurotech took concrete action to support the Ukrainian population. A solidarity collection of food and medical goods was activated at Eurotech's Italian headquarters, which were then delivered directly on site to humanitarian associations assisting refugees.

European Single Electronic Format (ESEF) requirements

Pursuant to Art. 4 of the Transparency Directive, starting from financial year 2021, the annual financial report is drawn up in XHTML format, in compliance with the European Single Electronic Format (ESEF). In addition, issuers preparing consolidated financial statements pursuant to IFRSs must mark them using the Inline XBRL. The Eurotech Group manages the ESEF using dedicated outsourced computer software that enables compliance with the new regulations.

Operating performance

(€'000) OPERATING RESULTS		FY 2022	%	FY 2021	%	% change
SALES REVENUES		94,264	100.0%	63,148	100.0%	49.3%
GROSS PROFIT MARGIN	(*)	42,393	45.0%	29,478	46.7%	43.8%
EBITDA ADJ	(****)	7,177	7.6%	(325)	-0.5%	n.s
Non recurring costs		(913)	-1.0%	(2,422)	-3.8%	62.3%
EBITDA	(**)	6,264	6.6%	(2,747)	-4.4%	328.0%
EBIT	(***)	751	0.8%	(7,587)	-12.0%	109.9%
PROFIT (LOSS) BEFORE TAXES		789	0.8%	(7,989)	-12.7%	109.9%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		(1,546)	-1.6%	(10,408)	-16.5%	85.1%

(*) **Gross profit margin** is the difference between revenues from sales of goods and services and use of raw materials.

(**) **EBITDA**, an intermediate figure, is earnings before amortisation, depreciation and impairment of non-current assets, financial income and expenses, the valuations of affiliates at equity and of income taxes for the period. This is a measure used by the Group to monitor and assess operating performance. Since the composition of EBITDA is not regulated by the reference accounting standards, the calculation criterion applied by the Group may not be consistent with that used by other companies and would therefore not be comparable.

(***) **EBIT** before valuation of equity investments in affiliates using the equity method, financial income and charges and income taxes for the year.

(****) **ADJ EBITDA** is an intermediate figure, determined gross of non-recurring costs and revenues, before amortisation, depreciation and impairment of fixed assets, financial income and expenses, valuations of affiliates at equity and income taxes for the period. This is a measure used by the Group to monitor and assess its operating performance, net of any non-recurring costs or revenues that therefore do not occur frequently in the ordinary course of business. Since the composition of EBITDA ADJ is not regulated by the reference accounting standards, the calculation criterion applied by the Group may not be consistent with that used by other companies and would therefore not be comparable.

Scenario

In terms of the global scenario, 2022 was certainly a complex year. While emerging from the pandemic crisis and moving towards recovery, the geopolitical crisis and its economic consequences have further complicated the international situation and that of our country.

The global economy faces a number of challenges related to the evolution of the war in Ukraine, trends in energy prices, the "war of talents", the effectiveness of monetary policy and the performance of the Chinese and US economies. All of this has contributed to a slowdown in Gross Domestic Product (GDP) growth, the effects of which will continue in 2023, when GDP growth is expected to be 1.3%, down from 3.1% in 2022 and an average of 2.7% over the last ten years. In particular, one of the main factors of attention in the global macroeconomic

scenario is the growth rate in prices, which has never been so high in advanced countries for decades. Inflation weighs on economic prospects because it leads to higher production costs for companies, lower real income for households and because it forces central banks to tighten monetary policies, resulting in a slowdown of economic activity.
In this context, Eurotech got out what it put into it positively in the previous year, showing a turnover growth of over 35% and finalising an acquisition in Germany, known as the most important market in Europe.

Revenues
In an ever-changing economic scenario, 2022 showed a 49.3% increase in consolidated turnover to €94.26 million, compared to €63.15 million in 2021. In addition to the organic growth of 41.0% year-on-year, the increase in turnover of €5.23 million is due to the consolidation of the newly acquired InoNet Computer GmbH from September 2022. Analysing the organic growth, at constant exchange rates, and therefore neutralising the effect of the different currency conversion ratio in the two periods, turnover in 2021 would amount to €65.49 million with a 35.9% increase in 2022 turnover compared to former year.

The Traditional Embedded business played a decisive role in the growth of turnover over the twelve months, as expected by the management already at the beginning of 2022. However, during the year and particularly in the second half of the year, there was also significant organic growth in the Edge AIoT business, up 58% compared to 2021; by including InoNet's contribution for the last four months of the year, the overall year-on-year growth in turnover in Edge AIoT rises to 110%.

With reference to the breakdown of turnover by operating activity areas, sales increased by 38.7% in the American area compared to the same period of the previous year, the Japanese area reported an increase of 40.4% and finally in Europe total growth was 83.4%, with organic growth of 46.4% and a growth through acquisitions contributing to a 37.0% increase in turnover in the region.

The America area benefited from the growth in the traditional Embedded business, linked to orders in the transport and off-road sectors, linked to the US incentive plans, although growth was slightly below 40%.

The ramp-up of new supplies in the Japanese area as well as a business recovery with some long-standing customers not only increased turnover for the year but also increased visibility for 2023.
The long lead time compared to pre-Covid lead times meant that part of the orders received during the year were not converted into turnover for the year.
The potential of the customer base, historically made up of important local multinational companies that find in Advanet a highly specialised development centre for electronic subsystems, is high. Moreover, the Japanese market remains a strategic outlet both because of its development potential in relation to new IoT technologies and because of the importance of the companies established there and their relevance not only locally but also globally.

Europe was the area with the strongest growth, both organically and through acquisitions above mentioned. Compared to 2021, there was an upturn in sales in the Level 5 driverless car business and in the Edge IoT business in general, which typically has an activation cycle of at least 24 months.
Europe remains the area of the Group that has picked up, before the others, design-win Industrial IoT projects, and where we are beginning to see the effects of a growth of more than 50% year-on-year.
Moreover, the acquisition of InoNet Computer GmbH in Germany contributed to the strengthening of the European area and in particular of sales related to Edge AI products in the Edge IoT area.

Gross Profit Margin
The gross profit margin for the year amounted to €42.39 million, or 45.0% of turnover, up on the figure of 46.7% last year. On a like-for-like basis (i.e. excluding the acquisition of InoNet Computer GmbH), the gross profit margin for the year would have been 45.6% and, if limited to the second half-year, it would have been 47.5%, which is higher than the percentage margin recorded in 2022.

On a like-for-like basis, over the twelve months, the gross profit margin improved by 470 bps compared to the value recorded in the first quarter, confirming the effectiveness of the measures taken to counter the effects of the component shortage: increasing sales prices, redesigning certain systems to use alternative components that are more readily available and/or less expensive, reorganising the supply chain towards more standard products by giving 12-24 month forecasts and orders to suppliers.
The year-on-year reduction in profit margin is the combined effect of two elements that occurred mainly in the first half of the year: higher costs incurred during the period to purchase certain low-availability components in order to be able to deliver products to customers, and a different mix of products sold. The higher procurement costs (PPV – Purchase Price Variance) incurred in order to meet the deadlines agreed with the customer as far as possible, were not always fully charged to customers in the period under review.
On the other hand, as regards the product mix, the Japanese area in particular recorded a deviation from the historical trend, also due to the indirect effects of the shortage on the mix of products actually delivered, as high-end products were more affected by the problems of component availability.

Operating costs
Operating costs including adjustments for internal increases and net of non-recurring costs amounted to €38.92 million, of which €1.79 million resulted from the change in the scope of consolidation.
On a like-for-like consolidation basis, these operating costs amounted to €37.13 million (41.7% of revenues), up from €33.69 million (53.4% of revenues) last year. Therefore, on a like-for-like consolidation basis, the increase was 10.2%, while even at constant exchange rates, it stood at 8.8%.
Therefore, the total of operating costs, including non-recurring costs, amounted to €39.83 million compared to €36.11 million in 2021.
Non-recurring costs of €0.91 million refer entirely to the costs incurred for the acquisition of 100% of the shares of the German subsidiary InoNet GmbH, which are recognised in the income statement in the period in which they were incurred.

The most significant increases were in payroll costs with one-off recruitment costs of €0.5 million and salaries. The most significant item within operating costs is payroll costs, which amounted to €23.45 million and the percentage to revenues amounted to 24.9% (compared to 32.0% last year). The increase amounted to €2.73 million, of which €1.55 million was due to the change in the scope of consolidation and €1.67 million due to the increase in average salaries, in the America area, in particular. The increase in average salaries is due to the increase in average salaries of new hires with new and different skills, the inclusion of new managerial functions and as a result of the salary increases made.
The new hires are linked to the actions to strengthen the go-to-market, which is the main do-different of the new strategy presented to the market in July 2021.
During 2022, the structure was strengthened by a number of new managerial functions and new hires in both Europe and the US, but this did not result in the expected increase in the workforce based on the turnover during the year. The number of employees at 31 December 2022 was 398, of which 71 were contributed by the newly acquired subsidiary InoNet (324 at 31 December 2021), with an average of 347.6 employees for the period (322.1 in 2021).

EBITDA
Earnings before amortisation, depreciation, valuations of equity investments in associates, net financial charges and income tax net of non-recurring costs (Adjusted EBITDA) amounted to €7.18 million (7.6% of revenues) compared to -€0.32 million in 2021. The improvement in Adjusted EBITDA is mainly due to higher sales volumes. However, this was not fully realised due to a percentage deterioration in the gross profit margin (due to the mix of products sold) and an increase in operating costs.

EBITDA, including non-recurring costs, amounted to €6.26 million (2021: -€2.75 million).
EBITDA in 2022 as a percentage of revenues was 6.6%, compared with a negative EBITDA ratio in 2021 of -4.4%.

EBIT
The operating result (EBIT) remained positive at €0.75 million and was also affected by the factors outlined above. In 2021, it amounted to -€7.59 million.

Amortisation/depreciations and write-downs of property, plant and equipment and intangible assets amounted to €5.51 million, compared to amortisation/depreciations and write-downs of €4.84 million in 2021. EBIT as a percentage of revenues amounted to 0.8% in 2022, compared to -12.0% in 2021. The increase in amortisation/depreciation is mainly due to the new amortisation/depreciation of some development projects.

Write-downs made in 2021 only refer both to the write-down of the Goodwill on the Eurotech France Cash Generating Unit for €186 thousand, and to the write-down of properties and rights of use for €80 thousand.

Net financial management in 2022 amounted to €0.04 million (-€0.40 million in 2021), due to the net interest management for €0.32 million (it amounted to €0.35 million in 2021) and the amount of the other financial charges. With regard to the net exchange rate difference, a profit of €0.50 million was reported in 2022, whereas in 2021 the profit was €0.08 million.

Result pre-tax
Pre-tax profit for 2022 amounted to €0.79 million (it was negative for -€7,99 million in 2021). This performance was influenced by the factors outlined above.

Net result
The Group net result was -€1.55 million, compared to -€10.41 million in 2021.
This performance not only reflects the pre-tax profit but is due to the influence of the tax effect on the individual Group companies, (see the explanatory note 31 for more details) and to the non-recognition during the year of deferred tax assets on tax losses generated in the period.

Breakdown by geographical area
The Group oversees a single line of business known as “Moduls and Platform”, which comprises a) Embedded computing modules and systems for industrial, transport, medical, energy and defence uses; b) Edge computers featuring low power consumption and high performances, to be used both in Internet of Things (IoT) solutions and to create applications where Artificial Intelligence (AI) algorithms are used; c) software frameworks and platforms for IoT applications.
The segment reporting is presented based on the geographic area in which the various Group companies operate and are currently monitored. This is defined by the location of goods and operations carried out by individual Group companies. The geographic areas identified within the Group are: North America, Europe and Asia.

Changes in revenues and margins by individual geographic area and the relative changes in the periods under review are set out below.

(€'000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	FY 2022	FY 2021	% YoY Change	FY 2022	FY 2021	% YoY Change	FY 2022	FY 2021	% YoY Change	FY 2022	FY 2021	% YoY Change	FY 2022	FY 2021	% YoY Change
Third party Sales	39,728	28,638		25,900	14,121		28,636	20,389		0	0		94,264	63,148	
Infra-sector Sales	2,324	1,149		6,064	5,055		428	35		(8,816)	(6,239)		0	0	
Total Sales revenues	42,052	29,787	41.2%	31,964	19,176	66.7%	29,064	20,424	42.3%	(8,816)	(6,239)	-41.3%	94,264	63,148	49.3%
Gross profit	16,926	10,523	60.8%	12,385	7,827	58.2%	13,758	10,523	30.7%	(676)	605	-211.7%	42,393	29,478	43.8%
Gross profit margin - %	40.3%	35.3%		38.7%	40.8%		47.3%	51.5%					45.0%	46.7%	
EBITDA													6,264	(2,747)	-328.0%
EBITDA margin - %													6.6%	-4.4%	
EBIT													751	(7,587)	-109.9%
EBIT margin - %													0.8%	-12.0%	

North America area's revenues, including infra-sector revenues, increased by 41.2% from €29.79 million in 2021 to €42.05 million in 2022. This increase, supported by an order book that grew significantly in 2021 and at the beginning of 2022, is mainly attributable to historical customers, particularly in the smart agriculture sector. Revenues in the American area were affected, also in 2022, by a high concentration of turnover on a small number of customers with consolidated business and who consider Eurotech to be a solid and reliable provider.
The Europe area also accelerated from €19.18 million in 2021 to €26.73 million in 2022 as a result of organic growth up to €31.96 million by adding the 4-month turnover of the German subsidiary InoNet Computer GmbH acquired during the year. Therefore, total growth, including infra-sector revenues, was 66.7%. Forecasts remain positive and growing in the medium term thanks to the opportunities in the transport sector, products linked to

Edge Computing technologies and the Industrial IoT paradigm, which should continue to accelerate in the next quarters.
Finally, due to the procurement policies carried out last year and despite the fact that some electronic components remained in short supply throughout the year, the Asia area increased by 42.2% compared to the previous year: from €20.42 million to €29.06 million (values including inter-sector revenues).

The breakdown of revenues by type that, also in application of IFRS 15, provides information on disaggregated revenues, shows increased industrial revenues (with a 60.2% up compared to 2021), while service revenue remains at the same level as in 2021.

(€' 000)	FY 2022	%	FY 2021	%	% change
SALES BY TYPE					
Industrial revenues	82,755	87.8%	51,665	81.8%	60.2%
Services revenues	11,509	12.2%	11,483	18.2%	0.2%
TOTALE SALES AND SERVICE REVENUES	**94,264**	**100.0%**	**63,148**	**100.0%**	**49.3%**

The geographic breakdown of revenues by customer geographical area is shown below:

(€' 000)	FY 2022	%	FY 2021	%	% change
BREAKDOWN BY GEOGRAPHIC AREA					
European Union	22,480	23.8%	11,314	17.9%	98.7%
United States	38,559	40.9%	27,333	43.3%	41.1%
Japan	28,447	30.2%	20,368	32.3%	39.7%
Other	4,778	5.1%	4,133	6.5%	15.6%
TOTAL SALES AND SERVICE REVENUES	**94,264**	**100.0%**	**63,148**	**100.0%**	**49.3%**

Based on the breakdown of turnover by customer geographical area, the US area is confirmed as the most important area of the Group. The USA area accounted for 40.9% of total annual turnover in 2022 compared to 43.3% in 2021.
Japan remains the second most important area, with a year-on-year increase of 39.7% and a consolidated turnover share of 30.2%, down slightly from 32.3% in 2021.
With regard to Europe, again with reference to the location of customers, the level of turnover doubled (+98.7%) both due to internal growth equal to +52.5% year-on-year and due to growth through acquisitions that has resulted in an increase of +46.2%. The Europe area contributed 23.8% (compared to 17.9% in 2021) of total turnover including the turnover of the newly acquired InoNet Computer GmbH.
With reference to the other geographical areas, the absolute value of growth was 15.6%, accounting for 5.1%, down from 6.5% in the previous year.

(€'000)	FY 2022	% of sales	FY 2021	% of sales	% change
Purchases of raw materials, semi-finished and finished products	58,018	61.5%	33,147	52.5%	75.0%
Changes in inventories of raw materials	(4,527)	-4.8%	(503)	-0.8%	n.s.
Change in inventories of semi-finished and finished products	(1,620)	-1.7%	1,026	1.6%	-257.9%
TOTAL COST OF MATERIALS	**51,871**	**55.0%**	**33,670**	**53.3%**	**54.1%**

Consumption of raw and auxiliary materials and consumables – the components of which are shown in the table above – during the period showed a growth due to the increase in turnover, from €33.67 million in 2021 to €51.87 million in 2022. In the period in question, there was a 54.1% increase in consumption, i.e. more than proportional to the 49.3% growth in turnover. The non-proportional difference between the changes in consumption and turnover is the direct result of the mix of products sold and the type of services offered and the write-downs on inventory figures. Costs for raw and auxiliary materials and consumables as a percentage of revenues grew from 53.3% in 2021 to 55.0% in 2022.
The change in the scope of consolidation resulted in an increase in consumption of €3.43 million.

The operating costs of the Group are shown in the following tables before non-recurring costs and after non-recurring costs grouped under a single heading:

(€'000)	FY 2022	% of sales	FY 2021	% of sales	% change
Service costs	14,657	15.5%	13,623	21.6%	7.6%
- of which non recurrent costs	*913*	*1.0%*	*1,357*	*2.1%*	-32.7%
Rent and leases	823	0.9%	386	0.6%	113.2%
Payroll	23,453	24.9%	20,721	32.8%	13.2%
- of which non recurrent costs	*-*	*0.0%*	*488*	*0.8%*	-100.0%
Accruals and other costs	901	1.0%	1,384	2.2%	-34.9%
- of which non recurrent costs	*-*	*0.0%*	*577*	*0.9%*	-100.0%
assets	(3,491)	-3.7%	(3,305)	-5.2%	5.6%
Operating costs net of cost adjustments	**36,343**	**38.6%**	**32,809**	**52.0%**	**10.8%**

(€'000)	FY 2022	% of sales	FY 2021	% of sales	% change
Service costs	13,744	14.6%	12,266	19.4%	12.0%
Rent and leases	*823*	0.9%	386	0.6%	113.2%
Payroll	23,453	24.9%	20,233	32.0%	15.9%
Accruals and other costs	901	1.0%	807	1.3%	11.6%
assets	(3,491)	-3.7%	(3,305)	-5.2%	5.6%
Operating costs net of non recurrent costs and of cost adjustments	**35,430**	**37.6%**	**30,387**	**48.1%**	**16.6%**
- non recurrent costs	*913*	1.0%	2,422	3.8%	-62.3%
Operating costs net of cost adjustments	**36,343**	**38.6%**	**32,809**	**52.0%**	**10.8%**

Non-recurring costs were incurred in both 2022 and 2021; these costs are shown here separately.

In 2022, non-recurring costs are entirely related to the costs incurred for the acquisition of the German company InoNet Computer GmbH, as further described in Explanatory Note F. In 2021 not recurrent costs mainly related to the economic agreement resulting from the termination of the relationship between Eurotech S.p.A. and the CEO Roberto Siagri, concluded on 23 March 2021, which was fully described in a specific communication following the event, partly due to some reorganisation costs incurred at Group level and, to a lesser extent, to the costs associated with the entry of the new CEO.
As a percentage of revenues, operating costs, net of non-recurring costs and only cost adjustments for internal increases, decreased from 48.1% in 2021 to 37.6% in 2022. Also considering these non-recurring costs, the operating costs amounted to a total of €36.34 million in 2022 and €32.81 million in 2021.
In absolute terms, net operating costs rose from €32.81 million in 2021 to €36.34 million in 2022, an increase of 10.8%. The increase in absolute value is due to the increase in payroll costs. The most significant operating cost categories consist of the costs for services supporting the various company activities, with particular reference to development and commercial costs, and of payroll costs indeed.

The trend in service costs is shown below.

(€'000)	FY 2022	%	FY 2021	%	% change
Industrial services	4,907	33.5%	4,579	33.6%	7.2%
Commercial services	1,996	13.6%	1,817	13.3%	9.9%
General and administrative costs	7,754	52.9%	7,227	53.0%	7.3%
Total costs of services	**14,657**	**100.0%**	**13,623**	**100.0%**	**7.6%**
% impact on sales	**15.5%**		**21.6%**		

Service costs increased by 7.6%, or €1.03 million, from €13.62 million in 2021 to €14.66 million in 2022. As a percentage of revenues, this item stood at 15.5% (2021: 21.6%).

Industrial service costs were up 7.2%, from €4.58 million in 2021 to €4.91 million in 2022. These costs are directly linked to both the quantity of products sold and their mix.

Costs for commercial services, incurred in support of the product portfolio in the various reference markets, increased by 9.9% due to marketing and sales expenses that are still limited as a result of the restrictions arising from the measures to combat the COVID-19 pandemic; these costs amounted to €2.00 million in 2022 (2021: €1.82 million), an increase of €0.18 million.

Costs for general and administrative services were up by 7.3% compared to the previous year, from €7.23 million in 2021 to €7.75 million in 2022. The increase is mainly due to the costs incurred for the implementation of the corporate strategy and include non-recurring costs incurred in 2022 for €0.91 million and €1.36 million in 2021.

The absolute value of leasing costs increased from €0.39 million in 2021 to €0.82 million in 2022. The increase is due to higher leasing costs incurred for activities related to the IoT business area and higher rental and temporary rental costs that were not derecognised in accordance with IFRS 16. The percentage to revenues amounted to 0.9% (2021: 0.6%).

Payroll costs increased by 13.8% during the period under review, which is 16.5% net of non-recurring costs incurred in 2021. The higher costs are due to the change in the scope of consolidation of €1.55 million, the increase in average wages and salaries and the different mix of salaries for people who joined the company during the year and those who left.
The table below shows personnel costs before nonrecurring costs, which amounted to €0.49 million in 2021:

(€'000)	FY 2022	%	FY 2021	%	% change
Wages, salaries and Social Security contributions	22,293	95.1%	19,655	94.9%	13.4%
Employees' leaving entitlement and other personnel provisions	553	2.4%	541	2.6%	2.2%
Other costs	607	2.6%	525	2.5%	15.6%
Total personnel expenses	**23,453**	**100.0%**	**20,721**	**100.0%**	**13.2%**
% impact on sales	**24.9%**		**32.8%**		

Payroll costs as a percentage of revenues stood at 24.9% in 2022, compared to 32.8% in 2021.

As shown in the table below, the number of Group employees at the end of the years under review increased from 324 in 2021 to 398 in 2022. The number of InoNet employees at 31 December 2022 was 70, which represents a net increase of 4 employees on a like-for-like basis. In terms of the average number of employees, the figures increase from 322.1 in 2021 to 347.6 in 2022 (which, as already mentioned, takes into account the inclusion of InoNet employees in the consolidation for only four months).

In the table below, staff on the management team and who head management teams at the individual subsidiaries (managers) has been extrapolated from the "office staff" item.

EMPLOYEES	Average 2022	at December 31, 2022	Average 2021	at December 31, 2021
Manager	8.9	11	10.0	9
Clerical workers	302.1	325	290.1	293
Line workers	36.5	62	22.0	22
TOTAL	**347.6**	**398**	**322.1**	**324**

Total accrual and other costs are as follow:

(€'000)	FY 2022	%	FY 2021	%	% change
Doubful debt provision	259	28.7%	74	5.3%	250.0%
Other Provisions	2	0.2%	572	41.3%	-99.7%
Other costs	640	71.0%	738	53.3%	-13.3%
Total accruals and other costs	**901**	**100.0%**	**1,384**	**100.0%**	**-34.9%**
% impact on sales	**1.0%**		**2.2%**		

The "doubtful debt provision" item refers to provisions made during the years under review to cover any trade receivables that cannot be collected.
The "Provisions" item in 2022 has no significant value, whereas in 2021 it was related both to future costs to be incurred as a result of the Group's reorganisation, and to the costs for the dismantling of assets to be incurred at the conclusion of the lease.
During 2022 credit losses amounted to € 6 thousand, while in 2021 there were none..
As a percentage of revenues, the item under consideration decreased from 2.2% in 2021 to 1.0% in 2022.

(€'000)	FY 2022	%	FY 2021	%	% change
Government grants	18	8.4%	379	64.9%	-95.3%
Sundry revenues	196	91.6%	205	35.1%	-4.4%
Total other revenues	**214**	**100.0%**	**584**	**100.0%**	**-63.4%**
% impact on sales	**1.2%**		**2.2%**		

The "Other income" item decreased by 63.4% over the period, from €0.58 million in 2021 to €0.21 million in 2022. The difference is due to the recognition in 2021 of operating grants defined by the subsidiary EthLab relating to previous years.

This item under consideration decreased from 2.2% in 2021 to 1.2% in 2022, as a percentage of revenues.

(€'000)	FY 2022	%	FY 2021	%	% change
Amortisation of intangile assets	3,685	66.8%	2,745	56.7%	34.2%
Amortisation of property, plant and equipment	1,828	33.2%	1,829	37.8%	-0.1%
Write-down of fixed assets	-	0.0%	266	5.5%	-100.0%
Total amortisation and depreciation	**5,513**	**100.0%**	**4,840**	**100.0%**	**13.9%**
% impact on sales	**5.8%**		**7.7%**		

Amortisation/depreciation increased from €4.57 million in 2021 to €5.51 million in 2022. This change is attributable to the impact of application of the amortisation relating to the investments made in the period and in previous periods.
No write-downs are recognised in 2022, while amounts for 2021 are related to the write-down of the Goodwill on the Eurotech France Cash-Generating Unit for €186 thousand, to the write-down of the building of the subsidiary IPS for €19 thousand to adjust it to the value of the preliminary sale agreement signed in November 2021 and for €61 thousand for the write-down made in advance of the termination of the contract on the right-of-use of a building that will no longer be used.

Depreciation, amortisation and write-downs of fixed assets as a percentage of revenues decreased to 5.8% in 2022 from 7.7% in 2021.

With reference to the "Management of equity investments" item, the write-down of €3 thousand made in 2021 referred to the write-down of minority interests.

€'000	FY 2022	FY 2021	change %
Exchange-rate losses	2,117	806	162.7%
Interest expenses	272	306	-11.1%
Interest expenses on lease liabilities	56	44	27.3%
Expenses on derivatives	15	55	-72.7%
Other finance expenses	149	84	77.4%
Financial charges	**2,609**	**1,295**	**101.5%**
Exchange-rate gains	2,613	885	195.3%
Interest income	9	1	n.s.
Other finance income	25	10	150.0%
Financial incomes	**2,647**	**896**	**195.4%**
Net financial income	**38**	**(399)**	**-109.5%**
% impact on sales	**0.1%**	**-0.6%**	

The "financial charges" item increased from €1.29 million in 2021 to €2.61 million in 2022 due to the higher impact of exchange losses related to the trend of foreign currencies (of the US dollar, the Japanese yen and the pound sterling) and the decrease in interest expense compared to the previous year.

Financial income, again due to the trend in exchange rate differences, increased from €0.90 million in 2021 to €2.65 million in 2022.

Net charges from financial management as a percentage of revenues were 0.1% in 2022 compared to -0.6% in 2021.

(€'000)	FY 2022	% of sales	FY 2021	% of sales	% change
Pre-tax result	789	-12.7%	(7,989)	2.6%	-109.9%
Income taxes	(2,335)	-3.8%	(2,419)	-2.5%	-3.5%
Income taxes as a percentage of profit before taxes (effective tax rate)	**295.9%**		**-30.3%**		

An increase in pre-tax result from -€7.99 million in 2021 to €0.79 million in 2022 was reported. As already noted, this change is the effect of the performance of the turnover and gross profit margin, the trend in operating costs, other revenues and financial management. The incidence of income taxes on the pre-tax result in the period in question reflects the tax trends of the various companies included in the scope of consolidation, as well as the non-recognition in 2022 of deferred tax assets deriving from the tax losses recognised in the period due to the enduring uncertainties arising from the global economic scenario resulting from the effects of COVID-19 pandemic and the start of Ukraine-Russia war. Therefore, for this year, like last year, a considerable part of the residual overall tax benefit on the accumulated losses was not cautiously reported as all the conditions for the certainty of full further recovery and thus recognition have not yet been met.

The table below breaks down the income taxes sustained by Group companies for both years under review, distinguishing between current tax and deferred tax assets and liabilities, and between taxes due under Italian law and those due under foreign law.

(€'000)	FY 2022	% of sales	FY 2021	% of sales	% change
IRES (Italian corporate income tax)	1	1.6%	1,014	1.6%	-99.9%
IRAP (Italian Regional business tax)	6	0.1%	88	0.1%	-93.2%
Foreign current income taxes	2,326	0.2%	101	0.2%	n.s.
Total current income tax	**2,333**	**1.9%**	**1,203**	**1.9%**	**93.9%**
Net (prepaid) deferred taxes: Italy	461	1.2%	776	1.2%	-40.6%
Net (prepaid) deferred taxes: Non-italian	(459)	0.6%	402	0.6%	-214.2%
Net (prepaid) deferred taxes	**2**	**1.9%**	**1,178**	**1.9%**	**-99.8%**
Previous years taxes	-	0.1%	38	0.1%	N/A
Previous years taxes	**-**	**0.1%**	**38**	**0.1%**	**N/A**
TOTAL INCOME TAXES	**2,335**	**3.8%**	**2,419**	**3.8%**	**-3.5%**

With regard to current national taxes, Eurotech S.p.A. operates in a national tax consolidation scheme for Italian companies of the Group.

The Group result shows a significant improvement over 2021. The loss for the year amounted to €1.55 million compared to a loss of -€10.41 million for 2021.

Statement of financial position

Non-current assets

(€'000)	at December 31, 2022	at December 31, 2021	Changes
Intangible assets	93,620	88,043	5,577
Property, Plant and equipment	7,425	5,229	2,196
Investments in other companies	549	542	7
Deferred tax assets	5,301	6,504	(1,203)
Medium/long term borrowing allowed to affiliates companies and other Group companies	66	62	4
Other non-current assets	552	620	(68)
Total non-current assets	**107,513**	**101,000**	**6,513**

The "Non-current assets" item increased from €101.00 million in 2021 to €107.51 million in 2022.
The change is mainly due to the change in intangible assets resulting from both the new goodwill (provisionally calculated) generated by the acquisition of InoNet for €8.11 million and the different conversion ratio of financial statements in foreign currency, as well as of the investments made and amortisation of values. Deferred tax assets also decreased by €1.20 million as they are mainly used in the US. With reference to the change in the period, which shows an increase of €6.51 million, the exchange rate effect had an impact of €2.82 million: in fact, if the values at constant exchange rates had been compared, an increase of €9.34 million would have resulted.

The group's main investments net of the values resulting from the change in the scope of consolidation were as follows:

(€'000)	at December 31, 2022	at December 31, 2021	Changes
Intangible assets	3,660	3,673	(13)
Property, plant and equipment	267	1,173	(906)
Investments	-	-	-
TOTAL MAIN INVESTMENTS	**3,927**	**4,846**	**(919)**

Current assets

(€'000)	at December 31, 2022	at December 31, 2021	Changes
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
Other current financial assets	139	123	16
Derivative instruments	205	4	201
Cash & cash equivalents	18,110	31,704	(13,594)
Total current assets	**68,237**	**63,688**	**4,549**

The "Current assets" item increased, from €63.69 million in 2021 to €68.24 million in 2022. The change is mainly due to the change in the scope of consolidation of €3.74 million, the increase in the value of inventories and the decrease in cash and cash equivalents due to the payment of the purchase price, and the repayment of loan instalments. Compared to 31 December 2021, there was an increase in inventories of €9.21 million (+52.2%) at the end of 2022 in order to meet customer expectations as quickly as possible, and an increase in trade receivables of €8.27 million (+76.5%) resulting from the turnover generated in the last quarter of the year.

Net working capital

Net working capital, which comprises current assets net of cash and cash equivalents and non-financial current liabilities, underwent the following changes in the reporting period:

(€'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**

Net working capital increased by €9.50 million. This increase resulted from the combined effect of the change in the scope of consolidation of €2.06 million and the increase in both current assets and current liabilities. More specifically, on the one hand, there was an increase in inventories and trade receivables and on the other hand, there was an increase in the liabilities relating to trade payables as well as income tax liabilities and other current liabilities. Net working capital as a percentage of turnover by normalising InoNet's turnover to 12 months was 18.8% compared to 16.5% at the end of 2021.

Net financial position

At 31 December 2022, the Group had a net financial debt of €14.42 million, compared to a net positive cash balance of €6.21 million at 31 December 2021.
The change is mainly due to the value of the acquisition both in terms of financial outlay and of undue acquisition as a result of the change in the scope of consolidation, but also to the use of cash and cash equivalents to support operations and the net investment in property, plant and equipment, intangible assets and equity investments totalling €14.5 million.

Note that, effective 1 January 2019, the new IFRS 16 "Leases" standard was adopted, which establishes a new method of accounting for lease contracts (Right of Use), which must be recognised with a balancing entry in financial liabilities. Following the adoption of this standard, greater financial liabilities were recognised at 31 December 2021 in the amount of €2.26 million; at 31 December 2022, the greater residual financial liabilities amounted to €4.72 million of which €3.69 million arose as a result of the change in the scope of consolidation.

The net financial position (net financial debt) is determined in accordance with the definitions of CONSOB notice no. 5/21 of 29 April 2021, which refers to the Guidelines of the European Securities and Markets Authority (ESMA), issued on 15 July 2020 and in force as from 5 May 2021.
The net financial position under these guidelines is broken down in the table below.

(€'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)**

Existing financial liabilities of €23.23 million, plus current account overdrafts at year-end 2022 of €4.09 thousand, combine to form total debt toward banks of €27.32 million, of which €15.05 million is payable in the short term.
The debt resulting from the reporting of lease contracts (Right of Use) amounted to €4.72 million at the end of 2022 versus €2.27 million at the end of 2021.

At 31 December 2022, the Group had complied with all the financial covenants contained in the existing loan agreements.

(€'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		**18,111**	**31,704**

Due to the performance of the period, operations used cash flows of €1.61 million, compared to a cash flow generation of €3.28 million in 2021.

Investment activities derive from the investments made in developing new products in the form of modules, Embedded systems and Internet of Things (IoT) platforms, from the investments for the change of the IT system at the Group level and the internal investments in industrial, commercial and hardware equipment.

Finally, cash flows from financial activities was mainly due to the repayment of short-term portions of medium-term loans.

Intragroup relations and transactions with related parties

Within the scope of transactions aimed at routine management of the business of the Eurotech Group and constant promotion of new production and commercial synergies, the Group companies maintain reciprocal commercial relations whereby they sell products and services to some Group companies and buy products and services from the same Group companies. Relations between Group companies are governed by market conditions, taking into account the quality of the goods and services provided. The outstanding balances at the reporting date are not supported by guarantees, do not generate interest (except loans) and are settled in cash. No warranties, whether given or received, exist in relation to related-party receivables and payables. At the end of 2022, following the decision taken in 2021 to reduce the sales activities of the subsidiary Eurotech France Sas, the parent company Eurotech S.p.a. waived the trade receivables existing at 31 December 2022 for a value of €115 thousand as they are not recoverable with the assets held by the French subsidiary.
As a result, for the period ended 31 December 2022 the Group made no provision to a doubtful debt provision for sums owed by related parties, except for the €447 thousand write-down already made in 2010 on the receivable from affiliated company in liquidation Rotowi Technologies S.p.A. (formerly UTRI S.p.A.). This valuation is performed every year by examining the financial position of the related parties and the market in which they operate.
The Group companies also use the brands registered by the Parent Company. Specific contracts govern the uses of the brands.
The Parent Company invoices royalties relating to the Eurotech brand to those companies that commercially use the Eurotech brand, which is maintained by the Parent Company itself.
Finally, some of the Group companies also have service relations with the Parent Company, which provides administrative, tax, corporate, business and strategic services for Eurotech Group subsidiaries. The reciprocal services and obligations between the subsidiaries and the Parent Company are governed by a specific master service contract.

Relations with related parties include transactions arising in the course of normal business and financial relationships with companies in which the Directors of the Group or its subsidiaries have senior positions. These transactions are regulated under market conditions.

Information on related-party transactions, as required by CONSOB communication no. 6064293 of 28 July 2006, are described in the Explanatory Note 32 of the consolidated financial statements.

No unusual or atypical transactions, during 2022 year, took place as defined by CONSOB in its communication no. 6064293 of 28 July 2006.

The table below shows information on equity investments held in the Group and its subsidiaries by members of the management and supervisory bodies, general managers and managers with strategic responsibilities as well as spouses not legally separated and children, directly or through subsidiaries, trust companies or third parties, taken from the shareholders' register, notifications received and other information acquired by the members of the management and supervisory bodies, general managers and managers with strategic responsibilities, pursuant to Art. 79 of CONSOB Regulation no. 11971/99 as subsequently amended.

		at December 31, 2022					
Name	Company	Possessory title	Share at January 1 or appointment	Share acquired in the period	Share disposed in the period	Share at the end of the period	of which shares at the end of the period indirectly
Mapelli Patrizio	Eurotech	-	-	-	-	-	-
Fumagalli Aldo	Eurotech		-	-	-	-	-
Chawla Paul	Eurotech	Ownership	74,250	51,900	-	126,150	-
Costaguta Marco	Eurotech	-	-	-	-	-	-
Mio Chiara	Eurotech	-	-	-	-	-	-
Marti Antongiulio	Eurotech	-	-	-	-	-	-
Curti Susanna	Eurotech	-	-	-	-	-	-
Filippini Mariagrazia	Eurotech	-	-	-	-	-	-
Rovizzi Laura	Eurotech	-	-	-	-	-	-
Monti Fabio	Eurotech	-	-	-	-	-	-
Savi Daniela	Eurotech	-	-	-	-	-	-
Monterisi Pietro	Eurotech	-	-	-	-	-	-
	Eurotech	Ownership	41,000	-	-	41,000	-

Reconciliation statement of results for the year and shareholders' equity

The schedule below shows the reconciliation of net income and consolidated shareholders' equity of the Issuer at 31 December 2022 and 31 December 2021:

(€'000)	Profit (Loss) 12/31/2022	Shareholders' Equity 12/31/2022	Profit (Loss) 12/31/2021	Shareholders' Equity 12/31/2021
Financial report of the Parent Company	**(4,456)**	**136,307**	**(6,633)**	**140,737**
Group share of shareholders' equity and pro-quota value in consolidated companies	4,796	(87,078)	(927)	(83,350)
Differential arising from consolidation		52,747		48,033
Trademark		7,529		8,122
Reversal of Impairment of equity transactions	155	-	1,860	-
Elimination of unrealised internal profit on capitalizations	(30)	(380)	(4)	(350)
Exchange differences on equity investments in foreign companies	(1,755)	-	(2,876)	-
Stock option subsidiaries	(57)	-	(74)	-
Offset dividends	-	-	(1,716)	-
Other minor differences	(123)			
Tax effects on consolidation adjustments listed above	(76)	(2,610)	(38)	(2,756)
Consolidated financial statements	**(1,546)**	**106,515**	**(10,408)**	**110,436**

Treasury shares of the Parent Company owned by the Parent Company or subsidiaries

The Parent Company Eurotech S.p.A. held 255,606 treasury shares at the end of the reporting period. Treasury shares changed as follows in 2022:

	No. of shares	Face value of a share *(Thousand of Euro)*	% share capital	Carrying value *(Thousand of Euro)*	Average unit value
Status as at 1 January 2022	**89,920**	**22**	**0.25%**	**211**	**2.35**
Purchases	165,686	41	0.47%	492	2.97
Sales	-	-	0.00%	-	
Assignment-Performance share Plan	-	-	0.00%	-	
Status as at 31 December 2022	**255,606**	**63**	**0.72%**	**703**	**2.75**

Investments and research & development

At 31 December 2022, technical investments (property, plant and equipment) in equipment and instruments amounted to €84 thousand, investments in property and other assets amounted to €183 thousand, investments to purchase user, software and know-how licenses amounted to €126 thousand.
During the period, the Group invested in industrial research & development and technological innovation for new products and for improving the current products and processes.
Research resulted in the development of new products/applications in the field of computers and Embedded systems, high-integration and low-consumption computers, network appliances, software platforms and supercomputers. Research also led to improvements in the quality of products, the creation of new products, reduced manufacturing costs and a resulting increase in company competitiveness. During the period development costs for new products were capitalised for €3.47 million: 20.3% of said costs relate to the

development of new hardware products based on the new ultra-low power architecture; 71.8% of said costs relate to software projects in the Edge computing segment and in the Internet of Things platforms; the remaining approximately 7.9% was used for a range of purposes in both hardware and software, including projects launched in previous years.

Main risks and uncertainties to which the Group is exposed

Risks associated with the COVID-19 pandemic

Although the state of health emergency over the spread of COVID-19 has been overcome, uncertainty remains over its spread, over the spread of possible variants or similar viruses. It cannot be excluded that this situation may continue to affect the results of the next few years, for example by restricting travel and making it more difficult to interact with new customers.
In this context, the Eurotech Group continued to implement measures to protect the health and safety of its employees and to carry out all activities pertaining to the operational continuity of business processes with the aim of ensuring the functionality of the activities in support of customers and the services provided also to the Group companies.

Risks related to the Russia-Ukraine conflict

The conflict between Russia and Ukraine, which began on 24 February 2022, is having a significant global impact not only because of the serious humanitarian crisis that has ensued, but also because of the economic impact on global markets, which has been immediately reflected not only in increases in the costs of certain commodities such as gas and oil, but also in sharp reductions in the share values of the world's major stock markets.
Although the Eurotech Group has no business relations with Ukraine and Russia, as it has no raw material suppliers and no production sites located in Russia and Ukraine, it cannot be excluded that a further escalation of the conflict could have unforeseeable effects on other neighbouring countries and not have an impact on procurement costs. The situation is monitored in order to be able to react promptly to events that cannot be foreseen at the moment.

Risks connected to general economic conditions

The global macroeconomic picture in 2022 was first affected by the aftermath of the economic crisis related to the effects of the COVID-19 pandemic, which continued throughout the year, and then by the consequences of the war between Russia and Ukraine and the related uncertainty on the economic world. One of the main factors of attention in the global macroeconomic scenario is the growth rate in prices, which has never been so high in advanced countries for decades. Inflation weighs on economic prospects because it corresponds to higher production costs for companies, lower real income for households and because it forces central banks to tighten monetary policies.
The macro-economic context affects the Group's ability to implement the desired growth path. The technological sectors in which the Group operates remain with a positive outlook for the years to come. In part, the scenario will also depend on the investments that the States will decide to make in support of local economies.

The Group's presence in various regions of the world however enables it to spread risk and to benefit from any positive situations arising in some regions in relation to or before other regions.

The Group's presence in sectors such as industrial, commercial and transportation, which are more affected by reduced consumption, may generate losses and risks of loss, above all in a scenario of considerable weakness of overall economic conditions.
Furthermore, leaving aside slow economic growth or recession, other economic conditions such as fluctuating raw material prices or their reduced availability or reduced spending on infrastructure may negatively affect the markets in which the Group operates, and may, in combination with other factors, have a significant impact on the Group's business outlook, operating performance and/or financial situation.
The political instability of some European countries as well as the effects of the United Kingdom's exit from the European Community, still to be fully assessed, as well as the risk of Europe's failure to recover quickly after the pandemic, could represent elements of instability for the European economy.

Risks connected to exchange rate and interest rate fluctuations

The Eurotech Group operates at global level and has invested in countries such as the US, Japan and the UK, deriving cash flows from these countries that are not consistent. In addition, the individual foreign subsidiaries tend to operate on their respective core markets with the respective functional currencies. Owing to these considerations, exchange rate hedging operations are not carried out, despite the fact that the consolidated financial statements are constantly affected by exchange rate fluctuations when the financial statements of companies outside the Eurozone are translated.
The Group is exposed via medium-term, variable-rate loans, particularly in Europe and to a lesser extent in Japan. The Group uses hedging instruments to mitigate the effects of interest rate variations on loans.
Steep exchange rate or interest rate fluctuations may have an impact on the Group's business performance and financial results.
For more information, see Explanatory Note 34.

Risks connected to liquidity and required financial resources

In view of its current net financial position, the Group plans to meet requirements for expiring financial payables with available cash and cash flows from operations.
The Group believes that in order to generate positive cash flows, it must continue to have a level of turnover in line with that achieved in 2022 and continue to focus on margins and operating costs in accordance with revenue levels while balancing the growth of the organisation in order to achieve the expected objectives.
Group strategy is to maintain the available cash invested in at-sight or very short-term bank deposits, dividing, whenever possible, the deposits between a sufficient number of selected banking counterparties operating in various regions.
Even if the Group has implemented measures designed to maintain adequate levels of working capital and cash, any further contraction in sales volumes may have a negative effect on the cash-generating capacity of the Group's operational units. The Group may therefore find it necessary to arrange further loans and/or refinancing of existing debt, including in unfavourable market conditions, with a general reduction in available financing sources and higher costs. Any difficulties in raising such financing could have a negative effect on the Group's business outlook, as well as on its operational results and/or its financial position.

Risks connected to management

The Group's success largely depends on the ability of certain Executive Directors and other members of management to run the Group and the individual local entities efficiently. Loss of the services of an Executive Director or other key resources without adequate replacement, and any inability to attract and retain new and qualified resources, could have negative effects on the Group's outlook, business performance and operating and financial results.

Risks connected to competitiveness in the sectors in which the Group operates

With some exceptions, the Group's markets are competitive in terms of product quality, innovation, reliability and customer support.
The Group's success will depend on its ability to maintain and build on its share of the markets in which it operates and/or to expand into new markets with innovative products and high quality standards ensuring profit levels similar to those on its current markets.
In recent years competition has become more intense, particularly in terms of price, especially in the Embedded boards and modules segment and to a lesser extent in systems sector.
If the Group were not able to offer more competitive and innovative products than its competitors, the Group's market share could decline, with a negative effect on the profitability and operating and financial results of the Eurotech Group.

Risks connected to customers

In some regions, the Group operates with a limited number of customers. Due to this dependency on certain customers, the loss of these large customers or a significant reduction in the turnover generated from them could have a negative impact on the Group's sales revenues and profitability.
Generally speaking, these customers are not the end-users of our products. Any lack of success of products into which our products are incorporated, and any difficulty experienced by our customers in selling the products that we design or produce for them, could have a negative effect on sales and margins.
Adverse economic conditions in markets where our customers may sell or use our products would lead to a reduction in supplies to these customers. Some of these markets are characterised by intense competition, rapid technological change and economic uncertainty. The Group's exposure to economic cycles and related fluctuations in demand from these customers could have a negative effect on revenues and therefore on the Group's financial situation.
In addition, a decision by some customers to make the products supplied by us in-house would reduce supplies to these customers and therefore sales revenues and profitability.

Risks connected to environmental policy

The Eurotech Group's activities and products have to comply with national, community and international environmental legislation. This legislation is becoming increasingly stringent in the countries where the Group operates.
The potential risk to which the Group is subject relates to the processing of electric and/or electronic parts that, pursuant to new legislation, could become unusable in production or separately saleable.
The consequent disposal of such products, or of others that have become obsolete due to technological advances, incurs increasingly high costs.
In order to comply with legislation in force, the Eurotech Group envisages having to continue to sustain costs that may rise in future years.

Risks connected to relations with employees and suppliers

In some of the countries in which the Group operates, employees are subject to various laws and/or collective labour agreements that guarantee them – including by means of local and national representatives – the right to be consulted on certain questions, such as workforce reductions. Such laws and/or collective labour agreements applicable by the Group could affect Group flexibility in the redefinition and/or strategic repositioning of its operations. Any unagreed decisions could lead to problems in workforce management.
In addition, the Group acquires raw materials and components from numerous suppliers and depends on the services and products supplied by other companies external to the Group. Collaboration between producers and suppliers is normal in the segments in which the Group operates, and while this leads to economic benefits in the

forms of reduced costs, it also means that the Group has to rely on these suppliers, with the consequent possibility that difficulties they experience (whether due to external or internal factors), including financial difficulties, could have negative repercussions on the Group's business outlook, as well as its operating results and/or its financial situation.
The price and availability of the electronic components used depend on a wide variety of factors, largely beyond the control of the Group and difficult to predict. Over the past 18 months, supply-side tensions have led to procurement difficulties and increased costs with negative consequences on the Group's economic results. Considering the persistence of this situation of uncertainty, in order to minimise the risks associated with a potential unavailability of components within the time required for production, the Group has adopted a strategy of planned purchases in the medium term.

Risks connected to development activity

The Group conducts major research and development activities that can last for more than 24 months. Development activities believed to be capable of producing future benefits in terms of revenues are posted as intangible assets. Not all development activities may lead to production at a level that allows for complete recoverability of the posted asset. When products related to capitalised development activities do not achieve the success expected, the impact on expected Group revenues and profits is determined, as well as whether the asset has to be written down.

Risks connected to the capacity to enrich the product portfolio and offer innovative products

The success of the Group’s activities depends on its ability to maintain or increase its share on the markets in which it operates and/or to expand into new markets with innovative products of a high standard of quality ensuring adequate profit levels. More specifically, if the Group were unable to develop and offer more innovative and competitive products than its main competitors, also in terms of price, quality and functionality, or if there were delays in the development of new innovative products, the Group's market share could contract, with a negative impact on the Group's business outlook as well as its operating results and/or financial situation.

Risks and uncertainties connected to goodwill and assets with an indefinite life

The Group carries out impairment tests on goodwill and other intangible assets with an indefinite useful life (trademarks), at least annually and during the course of the year if there are indications of loss in value. The test requires an estimate of the value in use of the cash-generating unit to which the goodwill and other intangible assets with an indefinite useful life are attributed, based in turn on the estimated expected cash flows of the unit and on the discounting of these flows at an appropriate rate.
In view of the general macroeconomic picture and the key sectors in which the Group operates, there is intrinsic uncertainty in estimating the cash flows used to test the assets for impairment. This uncertainty could give rise to the risk of failure to write down goodwill and intangible assets with an indefinite useful life, due to possible overestimation of future cash flows.

Risks connected with the performance of the Group's operating results

This risk factor brings out the risks connected with investment in the Company's share capital in consideration of the performance of the Group's operating result in recent years and of current conditions in certain markets.
It is difficult to foresee the Group's future performance in consideration of the sectors in which it operates. It is however evident that every external event, such as a significant drop in one of the major relevant markets, the volatility of financial markets and the resulting deterioration of the capital market, the increase in cost of raw

materials, unfavourable interest and exchange rate fluctuation, government policies, etc., might have a negative impact on the sectors in which the Group operates and negatively affect its prospects and activity, as well as affect its operating and financial results. The profitability of the Group's activities is also subject to risks tied to the fluctuation of interest rates, solvency and ability of the commercial counterparties to finance themselves, as well as to the overall economic conditions of the countries where the Group operates.

Cyber Security Risk

The risk of cyber security is represented by the possibility that cyber-attacks compromise company information systems, with the main consequences being the theft of sensitive information (including company know-how), the interruption of services provided with both economic and reputational consequences.
The consequences deriving from a cyber-attack could concern:
- the loss of confidentiality, i.e. the intentional or accidental disclosure of confidential information, which may result in losses for the Eurotech Group in terms of competitive advantage, damage to its image and reputation and legal and economic impacts (e.g. sanctions) due to failure to compliance with regulatory and/or contractual obligations;
- the loss of integrity and availability of the information and systems supporting the business, which may result in a loss of profit due to the non-provision of services and/or damage to company assets.

Disclosure on the environment and personnel

Although the Group does not carry out activities that could impact local areas or the environment, it has always tried to operate in line with national and international best practice, in accordance with the approaches of risk prevention and reducing and minimising environmental impacts.
Eurotech is increasing its efforts to respond to the challenges posed by climate change in order to improve the Group's resilience and seize the opportunities arising from the transition to a sustainable, low-carbon economy. To achieve these goals, a first step is to identify climate-related risks and opportunities and their impacts. For the type of business in which the Group operates, the impact of climate change is currently very marginal, but despite this, there is an increasing focus on assessing its potential effects in the Group's individual development processes.

The Eurotech Group has always paid close attention and been highly committed to the topic of employee safety, spreading a culture of safety within the organisation, minimising risk exposure in every activity and conducting activities to control, prevent and protect against risk exposure.
There have been no major work-related accidents at the Eurotech Group, and there is currently no risk of work-related illness.

Disclosure on sovereign exposure

Pursuant to CONSOB Communication no. DEM/11070007 of 5 August 2011 (a continuation of ESMA document no. 2011/266 of 28 July 2011) relating to disclosure in financial reports of the exposure of listed companies to sovereign debt, note that the Group does not hold sovereign debt securities.

Process of simplifying the standards based on CONSOB resolution n. 18079/2012

Pursuant to Art. 3 of CONSOB Resolution no. 18079 of 20 January 2012, Eurotech adheres to the simplification procedure provided for by Arts. 70, paragraph 8, and 71, paragraph 1-bis of the Regulation adopted by CONSOB with its resolution no. 11971 of 14 May 1999 as amended and supplemented, therefore benefiting from the right to derogate from the obligations to disclose information documents provided for by Annex 3B of the aforesaid CONSOB Regulation at the time of significant transactions concerning mergers, spin-offs, increases in capital by way of contributions in kind, purchases and sales.

Events after the reporting date

Between the 12th and the 14th of March 2023, the US company Eurotech Inc. was involved in the events surrounding the Silicon Valley Bank ('SVB') in the US, first finding its accounts blocked and then on March the 14th transferred to the new 'bridge' bank called Silicon Valley Bridge Bank N.A.. The cash previously deposited with SVB and then transferred to the new Silicon Valley Bridge Bank N.A. amounted to USD 8.3 million. As at the date of approval of this report, the account was fully operational again and transactions were carried out to utilise this liquidity without any critical issues arising. This is evidence of the effectiveness of the guarantees announced by the Federal Reserve and the US Administration regarding the stability of the system, and promptly implemented through the role of the Federal Deposit Insurance Corporation (FDIC).

There are no further events to note after the reporting date.

Report on corporate governance and ownership structure

The Report on Corporate Governance and Ownership Structure pursuant to Article 123-bis, paragraphs 1 and 2 of Italian Legislative Decree No. 58 of 24 February 1998, as amended, is included in a separate report from the Management Report, published together with the latter on Eurotech's website (www.eurotech.com, Investors section).

Off-statement of financial position agreements

The information required by Art. 2427, paragraph 1(9) of the Italian Civil Code is hereby given that the Group has no agreements not disclosed in the Statement of financial position.

Subsidiaries created and regulated according to the law of countries outside the European Union

The Board of Directors hereby declares that conditions for listing exist pursuant to Art. 36 of CONSOB Regulation no. 16191/2007 (the “Stock Market Regulation”). In this regard, note that at 31 December 2022 the subsidiaries created and regulated under the laws of countries outside the European Union, pursuant to Art. 36, paragraph 2 of the above Regulation, are the US companies Eurotech Inc. and E-Tech USA Inc. and the Japanese company Advanet Inc. and the British company Eurotech Ltd. and that the requirements set out in paragraph 1 of said article are met for these subsidiaries.

In accordance with Art. 15, paragraph 1 of CONSOB Regulation no. 16191/2007 (as amended by CONSOB Resolution no. 20249 of 28 December 2017, effective from 3 January 2018) it is acknowledged that the information flows provided by the Extra-EU subsidiaries, set forth in the aforementioned legislation, are adequate to regularly provide the Parent company with the economic, equity and financial data necessary for the preparation of the consolidated financial statements. Specifically, it should be noted that at 31 December 2022 the subsidiaries to which these provisions apply are those listed previously.

Competitive scenario, outlook and future growth strategy

Despite the uncertainty of the global macroeconomic situation, the integration and the strengthened relations between the Group's various companies, the global positioning of each subsidiary, as well as the Group's statement of financial position and financial solidity, the outlook for 2023 and beyond is positive, albeit with precautions that arise from time to time depending on market conditions in certain sectors.

The Group will also pursue strategic development in 2023, along guidelines outlined in the previous years. The implementation of the strategic plan includes specifically the following actions:

- focus on markets that combine a larger size and a higher growth rate (CAGR) over the next 5 years;
- address applications in difficult environments or with high reliability requirements, which require more rugged solutions;
- strengthen commercial activities, particularly with regard to indirect sales channels along with direct ones;
- focus on vertical markets and sectors in which IT-OT integration is most valued;
- create growth both organically and through external lines;
- leverage both global and local accelerating factors and forces of change:
    - Repatriation;
    - 5G;
    - New & smart energy;
    - Automation;
    - Recovery Plans.

Consolidated financial statements at 31 December 2022 prepared according to international accounting standards

Consolidated statement of financial position

(€'000)	Notes	at December 31, 2022	of which related parties	at December 31, 2021	of which related parties
Intangible assets	1	93,620		88,043	
Property, Plant and equipment	2	7,425		5,229	
Investments in other companies	3	549		542	
Deferred tax assets	31	5,301		6,504	
Medium/long term borrowing allowed to affiliates companies and other Group companies	32	66	66	62	62
Other non-current assets	4	552		620	
Total non-current assets		**107,513**		**101,000**	
Inventories	5	26,854		17,646	
Trade receivables	6	19,906	8	11,280	1
Income tax receivables	7	749		801	
Other current assets	8	2,274		2,130	
Other current financial assets	10	139	3	123	2
Derivative instruments		205		4	
Cash & cash equivalents	9	18,110		31,704	
Total current assets		**68,237**		**63,688**	
Non-current assets classified as held for sale	**2**	**-**		**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	**12**	**106,515**		**110,436**	
Equity attributable to minority interest	**12**	**-**		**-**	
Total shareholders' equity	**12**	**106,515**		**110,436**	
Medium-/long-term borrowing	14	15,785		17,535	
Employee benefit obligations	15	2,504		2,844	
Deferred tax liabilities	31	2,952		3,200	
Other non-current liabilities	17	999		1,477	
Business combination liabilities		900		-	
Total non-current liabilities		**23,140**		**25,056**	
Trade payables	18	19,780	117	13,005	487
Short-term borrowing	14	16,256		8,137	
Derivative instruments	34	-		11	
Income tax liabilities	7	1,449		215	
Other current liabilities	19	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**	

Consolidated income statement

(Migliaia di Euro)	Notes	FY 2022	di cui non ricorrenti	of which related parties	FY 2021	of which non recurrent	of which related parties
Revenues from sales of products and services	F	94,264		8	63,148		11
Other revenues	26	214			584		
Cost of materials	21	(51,871)		(452)	(33,670)		(974)
Service costs	23	(14,657)	(913)		(13,623)	(1,357)	
Lease & hire costs		(823)			(386)		
Payroll costs	24	(23,453)			(20,721)	(488)	
Other provisions and other costs	25	(901)			(1,384)	(577)	
Cost adjustments for in-house generation of non-current assets	27	3,491			3,305		
Depreciation & amortisation	28	(5,513)			(4,574)		
Asset impairment	28	-	-		(266)	(61)	
Operating profit		**751**	**(913)**		**(7,587)**	**(2,483)**	
Subsidiaries management	30	-			(3)		
Finance expense	29	(2,609)			(1,295)		
Finance income	29	2,647		1	896		1
Profit before taxes		**789**			**(7,989)**		
Income tax	31	(2,335)			(2,419)		
Net profit (loss)		**(1,546)**			**(10,408)**		
Minority interest		**-**			**-**		
Group net profit (loss) for period		**(1,546)**			**(10,408)**		
Base earnings (losses) per share	**13**	**(0.044)**			**(0.294)**		
Diluted earnings (losses) per share	**13**	**(0.044)**			**(0.294)**		

Consolidated statement of comprehensive income

(€'000)	Notes	FY 2022	FY 2021
Net profit (loss) before minority inerest (A)		**(1,546)**	**(10,408)**
Other elements of the statement of comprehensive income			
Other comprehensive income to be reclassified to profit or loss insubsequent periods:			
Net profit/(loss) from Cash Flow Hedge	34	211	75
Tax effect		-	-
		211	75
Foreign balance sheets conversion difference		(4,286)	(1,173)
Exchange differences on equity method		-	-
Exchange differences on equity investments in foreign companies	12	1,755	2,877
Tax effect		-	-
		1,755	2,877
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)		***(2,320)***	***1,779***
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on defined benefit plans for employees	15	247	17
Tax effect		(71)	2
		176	19
After taxes net other comprehensive income not being reclassified to profit orloss in subsequent periods (C)		***176***	***19***
Comprehensive net result (A+B+C)		**(3,690)**	**(8,610)**
Comprehensive minority interest		**-**	**-**
Comprehensive Group net profit (loss) for period		**(3,690)**	**(8,610)**

Consolidated statement of changes in 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, 2020	**8,879**	**1,776**	**136,400**	**11,457**	**(39,574)**	**(81)**	**(640)**	**1,197**	**(682)**	**132**	**118,864**	**-**	**118,864**
2020 Result allocation	-	-	-	-	132	-	-	-	-	(132)	-	-	-
Profit (loss) as at December 31, 2021	-	-	-	-	-	-	-	-	-	(10,408)	(10,408)	-	(10,408)
Comprehensive other profit (loss):													
- Hedge transactions	-	-	-	-		75	-	-	-	-	75	-	75
- Actuarial gains/(losses) on defined benefit plans for employees	-	-	-	-	-	-	19	-	-	-	19	-	19
- Foreign balance sheets conversion difference	-	-	-	(1,173)	-			-	-	-	(1,173)	-	(1,173)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	2,877	-	-	2,877	-	2,877
Total Comprehensive result	**-**	**-**	**-**	**(1,173)**	**-**	**75**	**19**	**2,877**	**-**	**(10,408)**	**(8,610)**	**-**	**(8,610)**
- Performance Share Plan	-	-	-	-	(289)	-	-	-	471	-	182	-	182
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**

(€'000)	Notes	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 December 31, 2022		-	-	-	-	-	-	-	-	-	(1,546)	(1,546)	-	(1,546)
Comprehensive other profit (loss):														
- Hedge transactions	34	-	-	-	-		211	-	-	-	-	211	-	211
- Actuarial gains/(losses) on defined benefit plans for employees	15	-	-	-	-	-	-	176	-	-	-	176	-	176
- Foreign balance sheets conversion difference		-	-	-	(4,286)	-			-	-	-	(4,286)	-	(4,286)
- Exchange differences on equity investments in foreign companies	12	-	-	-	-	-	-	-	1,755	-	-	1,755	-	1,755
Total Comprehensive result		**-**	**-**	**-**	**(4,286)**	**-**	**211**	**176**	**1,755**	**-**	**(1,546)**	**(3,690)**	**-**	**(3,690)**
- Performance Share Plan	16	-	-	-	-	261	-	-	-	-	-	261	-	261
- Other changes and transfers					-	-	-			(492)		(492)		(492)
Balance as at Decenber 31, 2022		**8,879**	**1,776**	**136,400**	**5,998**	**(49,878)**	**205**	**(445)**	**5,829**	**(703)**	**(1,546)**	**106,515**	**-**	**106,515**

Consolidated cash flow statement

CONSOLIDATED STATEMENT OF CASH FLOWS (€'000)	Notes	at December 31, 2022	of which related parties	at December 31, 2021	of which related parties
CASH FLOWS GENERATED BY OPERATIONS:					
Group net profit (loss) for period		**(1,546)**		**(10,408)**	
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:					
Depreciation & amortization intangible assets, property, plant and equipment	28	5,513		4,840	
Write-down of receivables	6	258		74	
Interest income	29	(9)		(1)	
Interest expenses	29	492		489	
Gain on business unit disposals and investments in associates	30	-		-	
Income taxes (paid) get		(55)		(888)	
Income taxes of the period	31	2,335		2,419	
Stock Grant expenses	16	261		182	
Provision for (use of) cumulative inventory write-down	5	(324)		(54)	
Provision for (use of) long-term employee severance indemnities	15	(164)		(55)	
Provision for (use of) risk provision	17	(553)		135	
(Provision for) / use of deferred tax asset / Provision for (use of) deferred t	32	-		-	
Changes in current assets and liabilities					
Trade receivables	6	(6,569)	(8)	5,273	(8)
Other current assets	7/8	(36)		(342)	
Inventories and contracts in process	5	(6,841)		83	
Trade payables	18	5,691	(370)	2,317	121
Other current liabilities	7/19	(61)		(785)	
Total adjustments and changes		**(62)**		**13,687**	
Cash flow generated (used) in operations		**(1,608)**		**3,279**	
CASH FLOW FROM INVESTMENT ACTIVITIES:					
Disposal of intangible assets					
Sales of tangible and intangible assets	1/2	16		17	
Interest income	29	9		1	
Purchase of intangible fixed assets	1	(3,660)		(3,673)	
Purchase of tangible fixed assets	2	(229)		(1,653)	
Purchase of own shares		(492)		-	
Decreases (Increases) other financial assets	10	(16)		2	
Net investments in long-term investments and non-current assets		61		32	
Business acquisition net of cash acquired		(9,450)		-	
Cash flow generated (used) by non-current assets classified as held for sale		365		-	
Cash flow generated (used) in investment activities		**(13,396)**		**(5,274)**	
CASH FLOW FROM FINANCING ACTIVITIES:					
Other changes in shareholders' equity		-		-	
Loans taken	14	7,143		2,301	
(Increases) decreases of loans to other Group companies	32	-		-	
Interest paid	29	(492)		(489)	
(Repaid) loans short and medium/long term	14	(5,046)		(9,871)	
Cash flow generated (absorbed) by financial assets		**1,605**		**(8,059)**	
Net foreign exchange difference		(195)		536	
Increases (decreases) in cash & cash equivalents		**(13,594)**		**(9,518)**	
Opening amount in cash & cash equivalents	**9**	**31,704**		**41,222**	
Cash & cash equivalents at end of period	**9**	**18,110**		**31,704**	

Explanatory notes to financial statements

A – Corporate information

The publication of the consolidated financial statements of the Group for the financial year ended 31 December 2022 was authorised by resolution of the Board of Directors on 15 March 2023. The Parent Company Eurotech S.p.A. is a joint-stock company incorporated and domiciled in Italy. The Group has its registered office in Amaro (Udine), Italy.
Eurotech is a group active in the research, development, and marketing of miniaturised computers and high-performance computers featuring high computing capacity. Moreover, within this business line it provides complete solutions or blocks of solutions and products for the Internet of Things through intelligent devices and an intelligent proprietary connectivity and communications platform. For more information, see Explanatory Note G.

B – Reporting policies and IFRS compliance

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and approved by the European Commission pursuant to Article 6 of (EC) Regulation no. 1606/2002 of the European Parliament and European Council of 19 July 2002 by 31 December 2022, as well as to the measures enacted to implement Art. 9 of Italian Legislative Decree no. 38/2005. IFRSs include all international accounting standards that have been revised (IAS) and all the interpretations of the International Financial Reporting Interpretation Committee (IFRIC), formerly the Standing Interpretations Committee (SIC).
The consolidated financial statements are based on recognition at cost, except for derivative financial instruments and for the equity investments in other companies recognised at fair value, as well as in compliance with the general principles of going concern, economic accrual, consistent presentation and comparability of information. The Group has assessed that, though the global economic environment is difficult, there are no material uncertainties (as these are defined in paragraph 25 of IAS 1) with regard to the business as a going concern, also in consideration of the actions taken to address this situation, industrial flexibility, the existing order portfolio and the opportunities available.
The Group applied the content of CONSOB Resolution no. 15519 of 27 July 2006 on the subject of financial statements.

The accounting standards applied are the same as those used at 31 December 2021, even taking into account the updates to the reference framework that came into force as of 1 January 2022, described below, which did not have a significant impact on the Group, as they regulate non-existing or non-significant cases.

Below is a brief description of the standards, amendments and interpretations that came into force on 1 January 2022.

Amendments to IFRS 3 Business Combinations — The purpose of the amendments is to update the reference in IFRS 3 to the Conceptual Framework in its revised version, without making any changes to the provisions of IFRS 3.

Amendments to IAS 16 Property, Plant and Equipment – The purpose of the amendments is not to allow the amount received from the sale of goods produced in the test phase of the activity to be deducted from the cost of property, plant and equipment. These sales revenues and the related costs shall therefore be recognised in the income statement.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – The amendment clarifies that in the estimate of the possible cost of a contract, all costs directly attributable to the contract must be considered. Accordingly, the assessment as to whether a contract is onerous includes not only incremental costs (such as, for example, the cost of direct material used in the processing), but also all costs that the company

cannot avoid because it has executed the contract (such as, for example, the depreciation rate of the machinery used to perform the contract).

Annual Improvements 2018-2020 - Specific and marginal amendments have been made to IFRS 1 First-time Adoption of International Financial Reporting Standards (concerning the measurement of the translation reserve), IFRS 9 Financial Instruments (concerning the specification of charges to be considered in the calculation of the 10% test for derecognition), IAS 41 Agriculture (concerning the consideration of tax flows in the method of calculating the fair value of certain assets) and the Illustrative Examples of IFRS 16 Leases (concerning incentives).

Below are the new standards and interpretations already issued and endorsed by the European Union, applicable to financial statements for financial years beginning after 1 January 2023, the introduction of which is not expected to have a significant impact on the Group.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – On 12 February 2021, the IASB published the "Definition of Accounting Estimates (Amendments to IAS 8)" in which the definition of change in accounting estimates is replaced by a definition of accounting estimate. Under the new definition, accounting estimates are "monetary amounts reported in the financial statements subject to valuation uncertainty" and that a change in the accounting estimate resulting from new information or new developments is not the correction of an error. The changes will take effect from 1 January 2023.

Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2 (Making Materiality Judgements) – The amendments, published on 12 February 2021 by the IASB, are intended to improve the disclosure of accounting policies so as to provide more useful information to investors and other primary users of financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting policies. The changes will take effect from 1 January 2023.

IAS 12 Income taxes – On 7 May 2021 the IASB published the Amendments to IAS 12 Income Taxes: "Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document aims to clarify the accounting of deferred taxes on particular transactions such as leases and decommissioning obligations.

Amendments to IFRS 17 Insurance Contracts - On 25 June 2020, the IASB published amendments that aim to reduce costs by simplifying certain requirements of the standard, make it simpler to illustrate financial performance, and ease the transition by postponing the effective date of the standard to 2023, providing additional help to reduce the effort required when applying the standard for the first time.

Initial application of IFRS 17 and IFRS 9 - comparative information - On 9 December 2021, the IASB published an additional amendment to IFRS 17. The amendment is a transition option relating to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for readers of financial statements.

The new standards, amendments and interpretations already issued but not yet endorsed by the European Union and applicable to the financial statements for years beginning after 1 January 2022 are also briefly illustrated, the introduction of which is not expected to have a relevant impact on the Group.

IFRS 14 Regulatory Deferral Accounts - The endorsement process for the new standard aimed at companies subject to regulated rates published in January 2014 and which will replace the current one is currently suspended.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - The endorsement process for these amendments published by the IASB in September 2014 is currently suspended pending the conclusion of the IASB project on the equity method.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) - On 22 September 2022, the IASB endorsed amendments to IFRS 16 concerning sale and leaseback transactions, where the seller-lessee recognises only the amount of gain or loss that relates to the rights transferred to the buyer-lessor. The initial measurement of the lease liability arising from such transactions is the result of how the seller-lessee measures the right-of-use asset and the gain or loss recognised at the date of the transaction.

The consolidated financial statements were drafted in Euro, rounding amounts to the nearest thousand unless otherwise indicated. They consist of the Statement of financial position, Income statement, Statement of comprehensive income, Statement of changes in shareholders' equity, Cash flow statement, and the following Explanatory Notes.

The data used for consolidation have been taken from the income statements and statement of financial positions prepared by the directors of individual subsidiaries. These figures have been appropriately amended and restated as necessary to align them with international accounting policies and with uniform Group-wide classification policies.

Eurotech is increasing its efforts to respond to the challenges posed by climate change in order to improve the Group's resilience and seize the opportunities arising from the transition to a sustainable, low-carbon economy. To achieve these goals, a first step is to identify climate-related risks and opportunities and their impacts. For the type of business in which the Group operates, the impact of climate change is currently very marginal, but despite this, there is an increasing focus on assessing its potential effects in the Group's individual development processes.

Going concern
The directors of the Group have analysed various internal and external factors, also in view of the existing geopolitical situation, to identify any risk on going concern. By way of example, the business plans approved by the individual group companies were assessed, the effect of the trend in orders compared to last year was verified, the effect of current financial availability was assessed, which allows the investments necessary to support the corporate strategies to be sustained, and the supply chain risk was also considered in relation to the contingent situation of the shortage of electronic components, which in any case is continuously monitored by a specific task force also in direct collaboration with some of the main customers. The analysis did not identify any significant risks on going concern.

C – Discretionary evaluations and relevant accounting estimates

The preparation of the Group's financial statements requires all directors to make subjective assessments, estimates and assumptions that may affect the value of revenues, expenses, assets, liabilities, their disclosure and contingent liabilities at the reporting date. However, uncertainties about such assumptions and estimates may produce effects, that may require significant adjustments to the accounting value of said assets and/or liabilities.

Estimates at the balance sheet date are reviewed periodically and could produce significant adjustments in the carrying values of assets and liabilities within the next financial period. Key estimates are used to recognise:

Impairment of non-financial assets
The Group tests all non-financial assets at each financial year-end date for indicators of impairment.

In particular, goodwill and other intangible assets with an indefinite useful life (brands) are tested for impairment at least annually and also during the year if there are any indicators that they need to be promptly remedied; this test requires an estimate of the value in use of the cash-generating unit to which the goodwill and other intangible assets with an indefinite useful life are allocated, which in turn is based on an estimate of the expected cash flows from the unit and their discounting using an appropriate discount rate.

As at 31 December 2022, the carrying value of goodwill amounted to €75.77 million (2021: €69.72 million). More details can be found in Note 1.

Other non-financial assets are tested annually for impairment when there are indications that the carrying amount may not be recovered.

When value-in-use calculations are prepared, the directors must estimate the expected cash flows from the asset or cash-generating units and choose an appropriate discount rate to calculate the present value of those cash flows. Further details and a sensitivity analysis of the key assumptions are provided in Note 1.

Deferred tax assets
Deferred tax assets are recognised for all temporary differences and tax loss carry-forwards, to the extent that it is probable that there will be large future taxable profits against which such temporary differences can be absorbed and such losses can be utilised. Significant discretionary judgement is required of directors to determine the amount of deferred tax assets that may be recognised. They must estimate the probable timing and amount of future taxable profits.

The carrying amount of unrecognised tax losses of the Parent Company as of 31 December 2022 and the Economic Growth Assistance (ACE) on the basis of tax consolidation amounted to €43.8 million (2021: €36.6 million), which can be carried forward indefinitely. For the Group as a whole, unrecognised tax losses and ACE amount to €45.0 million (2021: €41.8 million), which may be carried forward indefinitely.

Development Costs
Development costs are capitalised on the basis of the accounting principle explained in Note E. The initial capitalisation of costs is based on the fact that the directors' opinion on the technical and economic feasibility of the project is confirmed, usually when the project has reached a precise stage in the development plan and it is probable that future economic benefits will be generated from this activity. To determine the values to be capitalised, the directors must make assumptions concerning the future cash flows expected from the assets, the discount rates to be applied and the periods of manifestation of the expected benefits.

Other items subject to estimation
Estimates are also used to recognise provisions for bad debts, for obsolescence and slow-moving or impaired inventories, depreciation and amortisation, employee benefits, defined benefit plans, incentive plans for managers and employees, rights of use, derivative instruments, taxes, provisions for risks and charges, to determine the total cost of construction contracts and their stage of completion, and to allocate the purchase price of business acquisitions.

D – Scope of consolidation

The consolidated financial statements include the annual financial statements of the Parent Company, Eurotech S.p.A., and the Italian and foreign subsidiaries in which Eurotech directly or indirectly (through subsidiaries and affiliates) exercises control since it holds valid rights giving it the current capacity to manage significant assets, i.e. the assets that significantly affect returns of the investee.
The companies included in the basis of consolidation on a line-by-line basis at 31 December 2022 are as follows:

(1) Officially, the Group owns 90% of the company, but as Advanet holds 10% of the share capital in the form of treasury shares, it is fully consolidated.

The changes with regard to subsidiaries and affiliates compared with 31 December 2021 are as follows:

- 12 September 2022 Acquisition of 100% of the share capital of the company InoNet Computer GmbH with registered office in Taufkirchen, Germany.
- 7 December 2022 Company IPS Sistemi Programmabili S.r.l. placed in liquidation

The Consolidated Financial Statements at 31 December 2022 did not contain significant transactions or unusual events apart from just mentioned about the acquisition of the German company.

E – Accounting standards and policies

Accounting basis

The Consolidated Financial Statements consist of the Income Statement, the Statement of Financial Position, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement and the relative Explanatory Notes. In the Statement of Financial Position, assets and liabilities are classified according to the "current/non-current" criterion, with specific separation of the assets held for sale and the liabilities associated with assets held for sale, if any. Current assets, including cash and cash equivalents, are those held to be realised, sold or consumed within the normal operating cycle of the Group or within the twelve months following the end of the year. Current liabilities are those whose extinction is expected within the normal operating cycle of the Group or within the twelve months after the end of the year.
The Income Statement is classified based on the nature of the revenues, while the Cash Flow Statement is presented using the indirect method.

Consolidation policies

The Financial Statements of the subsidiaries are drawn up using the same accounting standards as for the Parent Company; any consolidation adjustments are carried out to make consistent the items affected by the application of different accounting standards. All intragroup balances and transactions, including any unrealised profits deriving from relationships between Group companies, are completely derecognised. The portion pertaining to the Group of unrealised profits and losses with affiliates is derecognised.

Subsidiaries are fully consolidated from the acquisition date, i.e. the date at which the Group acquires control, and cease to be consolidated on the date at which control is transferred outside the Group.

Losses are attributed to minority interests, if there are any, even when this gives rise to a negative balance for minority shareholdings.

Changes in the equity interest of the Parent Company in a subsidiary that do not involve the acquisition/loss of control are booked as equity transactions. Specifically, in the case of acquisitions of minority interests, the difference between the price paid and the book value of the portion of the net assets purchased is posted directly to shareholders' equity.

If the Parent Company loses control of a subsidiary, it:

- derecognises the subsidiary’s assets (including any goodwill) and liabilities;
- derecognises cumulative exchange rate differences recognised in shareholders' equity;
- recognises the fair value of the payment received;
- recognises the fair value of any equity interest retained in the former subsidiary;
- recognises any profit or loss in the income statement;
- restates the portion held by the Parent Company of the components previously posted to the statement of comprehensive income to the income statement or to retained earnings, as appropriate.

Conversion of foreign currency items and financial statements from non-euro currency

The Consolidated Financial Statements are presented in Euro, which is the functional and presentation currency used by the Group. Each Group entity determines its own functional currency, which is used to value the items in the individual financial statements.

Transactions in foreign currency are initially recognised at the exchange rate (in relation to the functional currency) in force at the transaction date. Monetary assets and liabilities denominated in foreign currency are converted to the functional currency at the exchange rate in force at the reporting date. All exchange rate differences are posted to the income statement, except for differences deriving from loans in foreign currency that form part of a net investment in a foreign company, which are recognised directly in shareholders' equity until the net investment is planned and expected to be disposed of, at which time they are recognised in profit or loss.. Taxes and tax receivables attributable to exchange rate differences on these loans are also posted directly to shareholders' equity. Non-monetary items valued at historic cost in foreign currency are translated using the exchange rates in force at the date at which the transaction is initially recognised. Non-monetary items posted at fair value in foreign currency are converted using the exchange rate in force at the date of calculation of this value.

Any goodwill deriving from the acquisition of a foreign operation, and any changes in fair value that change the book values of the assets and liabilities deriving from the acquisition of this foreign operation, are booked as assets and/or liabilities of the foreign operation. These values are therefore expressed in the functional currency of the foreign operation and are translated at the exchange rate in force at the reporting date.

The functional currency used by the US subsidiaries Eurotech Inc. and E-Tech USA Inc. is the US dollar; the functional currency used by the UK subsidiary Eurotech Ltd. is the UK pound; and the functional currency used by the Japanese subsidiary Advanet Inc. is the Japanese yen.

At the reporting date, the assets and liabilities of these subsidiaries were translated to the presentation currency of the Eurotech Group (Euro) at the exchange rate in force on this date, while the income statement was converted using the average exchange rate for the year. Exchange rate differences arising from the conversion of income statement items at a different rate from that in force at the reporting date, and those arising from the translation of opening shareholders' equity at a different rate from that in force at the reporting date, are recognised directly in shareholders' equity and presented separately in a dedicated reserve. When a foreign company is disposed of, the cumulative exchange rate differences recognised in shareholders' equity relating to that particular foreign company are posted to the income statement.

The schedule below shows the exchange rates used, as issued by the Italian Foreign Exchange Bureau:

Currency	Average 12M 2022	As of December 31, 2022	Average 2021	As of December 31, 2021
British pound sterling	0.85276	0.88693	0.85960	0.84028
Japanese Yen	138.02739	140.66000	129.87671	130.38000
USA Dollar	1.05305	1.06660	1.18274	1.13260

Accounting policies

The accounting standards and policies applied to draft the Consolidated Financial Statements at 31 December 2022 are shown below.

Intangible assets

Intangible assets acquired separately are initially capitalised at cost, while assets acquired through business combinations are booked at fair value at the acquisition date. After initial recognition, intangible assets are booked net of accumulated amortisation and accumulated value losses. Intangible assets produced in-house, except for development costs, are not capitalised and are reported in the income statement in the year in which they are incurred. The useful life of intangible assets is valued as definite or indefinite.
Intangible assets with a definite useful life are amortised throughout their useful life and submitted to congruence tests whenever there are indications of possible impairment. The period and method of amortisation to be applied are re-examined at the end of each financial year or more frequently as necessary. Changes in the expected useful life and the methods with which future economic benefits related to intangible assets are achieved by the Group, are posted by modifying the period or method of amortisation and treated as modifications of the accounting estimates. Amortisation allowances of intangible assets with definite useful life are reported in the income statement in the cost category matching the function of the intangible asset.
Intangible assets with indefinite useful life are almost submitted to annual impairment testing on an individual or cash-generating unit basis (hereinafter also 'CGU'). No amortisation is reported for these assets.

Profits or losses arising from the sale of an intangible asset are measured as the difference between the net proceeds of the sale and the book value of the intangible asset and are recognised in the income statement when the asset is derecognised.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are booked using the purchase method. The purchase cost is measured as the sum of the payment made at fair value at acquisition date and the amount of any minority interest in the acquiree measured at fair value. For every business combination, the acquirer must value any minority interest in the acquiree at fair value or in proportion to the share of the minority interest in the identifiable net assets of the acquiree. Acquisition costs are paid and classified in administrative expenses.
When the Group acquires a business, it classifies or designates the financial assets acquired or liabilities assumed in accordance with the contractual terms and financial conditions and other pertinent conditions existing at acquisition date. This includes establishing whether an Embedded derivative must be separated from the primary contract.
If the business combination is carried out in more than one step, the acquirer recalculates the fair value of the equity interest previously held and valued using the equity method, and recognises any resulting profit or loss in the income statement.
Any potential payment is recognised by the acquirer at fair value at acquisition date. Changes in the fair value of the potential payment classified as an asset or liability is recognised, pursuant to IFRS 9, in the income statement or as other components of comprehensive income. If the potential payment is classified in shareholders' equity, its value must not be recalculated until its extinction is booked against shareholders' equity.
Goodwill is initially valued at cost, calculated as the excess between the sum of the payment made and the amount recognised for minority interests, and the identifiable assets acquired and liabilities assumed by the Group. If the payment is less than the fair value of the net assets of the acquired subsidiary, the difference is posted to the income statement.
After initial recognition, goodwill is valued at the reduced cost of the accumulated impairment losses. For the purposes of the impairment test, goodwill acquired in a business combination is allocated, at acquisition date, to every Group’s CGU expected to benefit from the combination, aside from the fact that the other assets or liabilities of the acquired entity are assigned to these units.
If goodwill is allocated to a CGU and the entity sells part of the assets of this unit, the goodwill associated with the asset sold must be included in the book value of the asset when calculating the gain or loss deriving from the disposal. The goodwill associated with the asset sold is calculated on the basis of the relative values of the asset sold and the portion retained by the CGU.

Business combinations before 1 January 2010

Differences by comparison with the above policies are set out below.
Business combinations were booked using the purchase method. Transaction costs directly attributable to the combination were regarded as part of the purchase cost. Minority interests were calculated according to the portion of the identifiable net assets of the acquiree pertaining to minorities.
Business combinations carried out in stages were booked at separate times. Each new acquisition of shares did not affect the goodwill previously recognised.
The potential payment was recognised if, and only if, the Group had a current obligation, and cash outflows were probable and the estimate could be reliably calculated. Subsequent changes to the potential payment were booked as part of goodwill.

On first-time adoption of IFRS, the Group decided to not apply IFRS 3 – Business Combinations retroactively to acquisitions made before 1 January 2004; as a result, goodwill generated on acquisitions prior to the date of transition to IFRS was maintained at the previous value, determined according to Italian accounting standards, subject to testing and adjustment for impairment.

Research and development costs

Research costs are recognised in the income statement at the time they are incurred.

Development costs incurred with reference to a specific project are only capitalised when the Group can demonstrate (a) that it is technically practicable to complete the intangible asset so as to make it available for use or for sale; (b) that it intends to complete said asset for use or for sale; (c) the way in which it will probably generate future benefits; (d) the availability of technical, financial and all other resources needed to complete the asset; and (e) its ability to reliably determine the costs attributed to the asset throughout its development.
Capitalised development costs are amortised over the period in which all future expected revenues will occur.
During the development period, the asset is re-examined annually to verify potential impairment. After the initial recognition, development costs are assessed at cost, minus any other amortisation or accumulated losses.
Amortisation of the asset begins as soon as development is completed and the asset becomes available for use.
If future economic benefits are no longer available, they will be written down in the year in which this occurs.
All other development costs are reported in the income statement in the period they are incurred.

Patents and trademarks

Patents have been granted by the competent body for a minimum of ten years with renewal option by the Group if the patent continues to produce utility over time.
Trademarks acquired separately are initially recognised at cost inclusive of ancillary charges. Trademarks acquired through business combinations are recognised at their fair value measured at the acquisition date.
Following initial recognition, trademarks are recorded at cost, net of accumulated amortisation and any accumulated impairment losses.
Trademarks with a definite useful life recognised in the statement of financial position are amortised over a period of between 8 and 10 years and subject to impairment testing whenever a loss of value is indicated. Its useful life is reviewed on an annual basis.
Trademarks with an indefinite useful life are not amortised but are subject to impairment testing at least annually.

Registration costs in other countries of trademarks and patents developed internally are recorded in the income statement when they are incurred.

Other intangible assets

The other intangible assets acquired or produced internally are recognised as assets in accordance with the provisions of IAS 38 – *Intangible assets*.
Intangible assets with a definite useful life recognised within a business combination, such as customer relationships and order portfolios, are initially recognised at fair value at the date of acquisition, separately from goodwill, if this value can be reliably determined. After initial recognition, they are recognised net of related accumulated amortisation and of any impairment determined in the same way as for property, plant and equipment.
Useful life is re-assessed annually, and any changes are applied prospectively as necessary.

Gains or losses arising from the sale of an intangible asset are measured as the difference between the net revenues from the sale and the book value of the intangible asset and they are recognised in the income statement when the asset is derecognised.

Property, plant and equipment

The value of property, plant and equipment is stated at historical cost, including any direct ancillary charges for making the asset suitable for the use for which it was intended, increased, where relevant and in the case of current obligations, by the current value of the estimated cost for disposal or removal of the asset. If significant portions of these property, plant and equipment have different useful lives, these components are booked separately. Land, whether the site of buildings or free from construction, is not depreciated since it is considered to have an unlimited life.

The value of a building, subject to revaluation in periods prior to 1 January 2004 (the date of transition to IFRS), is recognised according to fair value at the transition date due to this value has long been considered the replacement cost starting from that date (deemed cost).

Property, plant and equipment are listed net of respective accumulated depreciation and any impairment determined according to the methods described below. Depreciation is calculated on a straight-line basis, according to the estimated life of the asset for the company, which is re-examined annually and adjusted for changes on a case-by-case basis. The main technical depreciation rates used are based on the useful life of each individual item:

Buildings	33 years
Plant and machinery	from 7 to 10 years
Industrial and commercial equipment	from 4 to 6 years
Production equipment	from 4 to 6 years
Furniture and fixtures	from 7 to 10 years
Electronic office equipment	from 3 to 5 years
Automobiles and motor vehicles	from 4 to 5 years

The book value of property, plant and equipment is tested for impairment if events or situational changes indicate that the carrying value cannot be recovered. If there is such an indication and if the carrying value exceeds the estimated realisable value, the assets are written down to reflect their realisable value. The realisable value of property, plant and equipment is the higher of its net selling price and value in use.

In determining value in use, estimated future cash flows are discounted to their current value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. For assets that do not generate cash flows independently, the realisable value is determined in relation to the cash-generating unit to which the asset belongs. Impairment is booked in the income statement under amortisation, depreciation and write-downs. The initial value is reinstated if the causes of impairment in previous financial years are no longer valid.

At the time of the sale or when future economic benefits no longer exist on the use of an asset, it is derecognised from the statement of financial position and related losses or gains (calculated as the differences between the sale price and the carrying value) are reported in the income statement in the year of its derecognition.

The residual value of the asset, useful life and methods applied are reviewed annually and adjusted if necessary at the end of every financial year.

Financial charges incurred for investments in assets for which there is generally a certain period of time to make the asset ready for use or sale (qualifying assets, pursuant to IAS 23 – *Borrowing Costs*) are capitalised and depreciated throughout the useful life of the class of assets to which they refer. All other financial charges are recognised in the income statement as they are incurred.

Equity investments in affiliates

Equity investments in affiliates, in which the Eurotech Group has significant influence although not controlling, are valued using the equity method. The income statement reflects the Group share of the results of the associate. Equity investments in an associate are booked in the income statement at cost, increased by subsequent changes pursuant to acquisition of the Group share in the net assets of the associate, according to the equity method. Goodwill relating to the associate is included in the book value of the equity investment and is not subject to amortisation or impairment testing.

The Group share of the profits of the associate is recognised in the income statement. This share represents the profits of the associate attributable to shareholders, and therefore profits net of tax and the portions payable to the other shareholders of the associate.

If an associate enters adjustments directly in shareholders' equity, the Group recognises its share and posts it, where applicable, in its statement of changes in shareholders' equity. Gains and losses arising from transactions between the Group and the associate are derecognised in proportion to the investment in the associate.

If the Group share of losses exceeds the carrying value of the equity investment, the latter is derecognised and the surplus is recorded in a special reserve in the amount in which the Group has legal or implicit obligations toward the subsidiary to cover its losses or, in any event, to make payments on its behalf.

After applying the equity method, the Group assesses whether it is necessary to recognise a further impairment of its equity investment in the associate. The Group makes this assessment at every reporting date if there is objective evidence of impairment of the equity investment in the associate. If this is the case, the Group calculates the impairment as the difference between the recoverable value of the associate and the carrying value of the associate in its statement of financial position, recognising this difference in the income statement and classifying it under "Group share of the results of affiliates".

When significant influence over the associate has been lost, the Group calculates and recognises any residual equity investment at fair value. Any difference between the carrying value of the equity investment at the date of loss of significant influence and the fair value of the residual investment and of the payments received must be posted to the income statement.

Affiliates end their financial year on the same date as the Group; when the accounting policies used do not comply with those used by the Group, they are adjusted at year-end to make them the same as those used by Group for transactions and events of the same nature and occurring in similar circumstances.

Equity investments in other companies

Financial assets constituting equity investments in companies that are not affiliates or joint ventures (generally with a percentage ownership of less than 20%) are called investments in other companies and form part of the category of financial assets measured at fair value, that normally corresponds, upon first recognition, to the consideration paid for the transaction, including the directly attributable transaction costs.

Changes after measurement at fair value are recognised in the income statement (FVPL) or if an option provided for by the standard is exercised, in the statement of comprehensive income (FVOCI) under "Reserve instruments at FVOCI". For equity investments measured at FVOCI, impairment is never recognised in the income statement, or the accumulated profits or losses if the equity investments are sold; the dividends distributed by the investee are recognised in the income statement only when:

- the Group obtains the right to receive the dividend payment;
- it is probable that the financial benefits resulting from the dividend will accrue to the Group;
- the amount of the dividend can be accurately measured.

Other non-current assets

Receivables and other long-term financial assets held until expiration date are booked at cost, represented by the fair value of the initial amount given in exchange, increased by applicable transaction costs. The initial carrying value is subsequently adjusted to take account of capital refunds and any write-downs or amortisation of the difference between the repayment value and the initial posted value. Amortisation is charged according to the effective internal interest rate, which is the rate that equalises, at the time of their initial recognition, the current value of expected cash flows and the initial posted value (amortised cost method).

Inventories

Inventories, except for contracts in progress, are stated at the lower of the purchase or production cost and the estimated realisable value represented by the amount that the company expects to obtain from their sale in the course of normal operations or by their use in production.

The cost of raw materials and finished products is calculated by applying the average weighted purchase cost for each transaction, including all ancillary purchase charges.

The production cost of finished and semi-finished products comprises the direct cost of raw materials and labour plus a portion of general production expenses calculated according to standard production capacity, excluding any financial charges.

Obsolete and/or slow-turnover inventories are written down, through the registration of a specific fund, based on their current potential use or on future realisation. The write-down is reversed in subsequent periods if the reason for maintaining it no longer exists.

Financial assets

The Group classifies financial assets on the basis of the categories identified by IFRS 9:

- financial assets measured at amortised cost;

- assets measured at fair value through other comprehensive income (FVOCI);
- assets measured at fair value through profit or loss (FVTPL).

Financial assets measured at amortised cost

The financial assets that meet the following requirements are classified in this category: (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. It mainly involves trade receivables and loans. With the exception of trade receivables that do not contain a significant financial component, the other receivables and loans are initially recognised at their fair value in the financial statements. On the other hand, trade receivables that do not contain a significant financial component are recognised at the price defined for the relative transaction (determined in accordance with the provisions of the IFRS 15 "Revenue from Contracts with Customers"). When the assets are subsequently measured, those belonging to that category are measured at amortised cost, using the effective interest rate. Any doubtful debt provision is determined with the forward looking approach through a three-stage model: 1) recognition of the expected losses in the first 12 months from initial recognition of the credit assuming that the credit risk has not increased; 2) recognition of the lifetime expected credit losses if the credit risk increases significantly from the initial recognition of the credit; interest is calculated on the gross carrying amount; 3) recognition of any other lifetime expected credit losses when the loss occurs; the interest is recognised on a net basis (the amortised cost is revised since the Internal Rate of Return changes as there is a change in the cash flows due to the occurrence of the trigger event).

Financial assets measured at fair value through other comprehensive income (FVOCI)

The financial assets that meet the following requirements are classified in this category: (i) the asset is held within a business model whose objective is achieved by collecting the contractual cash flows that come from sale of the asset itself; and (ii) the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Capital instruments are also classified in this category (equity investments in which the Group does not have either control or significant influence) for which the Group applies the option given from the principle of measuring those instruments at fair value with an impact on the comprehensive income.

These assets are initially recognised in the financial statements at their fair value; upon subsequent measurement, the measurement made upon recognition is updated, and any variations in fair value are recognised under the Other components of the statement of comprehensive income. Any write-downs for impairment, interest income or profits or loss for exchange rate differences are recognised in the profit or loss for the year.

Financial assets measured at fair value through profit and loss (FVTPL)

All financial assets that do not meet the requirements, in terms of business model or cash flow characteristics, are classified in this category, for measurement at amortised cost or at fair value with an effect on the Statement of comprehensive income. They mainly include derivative instruments; this category also includes listed and non-listed capital instruments that the Group has not irrevocably decided to classify as FVOCI upon initial recognition or during transition. The assets that belong to this category are classified as current or non-current assets in accordance with their maturity date, and recognised at fair value upon initial recognition. Upon subsequent measurement, the profit and loss resulting from changes in fair value are accounted for in the consolidated income statement in the period in which they are recognised.

Impairment

The measurement of impairment of the financial assets measured at amortised cost is carried out on the basis of a model based on the expected losses on the receivables. According to that model, the financial assets are classified at stage 1, stage 2 or stage 3 according to their credit quality compared to initial disbursement.

More specifically:

Stage 1: includes (i) the newly acquired credit exposures; (ii) the exposures that have not undergone significant impairment of the credit risk compared to the date of initial recognition and (iii) the exposures with low credit risk.

Stage 2: includes the credit exposures that have undergone significant impairment of the credit risk compared to the date of initial recognition, even though they are not impaired.

Stage 3: includes the impaired credit exposures.
For exposures that belong to stage 1, the overall impairment equals the expected loss calculated on a time period of up to one year. For exposures that belong to stages 2 or 3, the overall impairment equals the expected loss calculated on a time period equal to the entire duration of the relative exposure.
The criteria to determine the write-downs to make to the receivables is based on discounting the expected principal and interest flows to present values. In order to determine the current value of the flows, the basic elements are the identification of the estimated collections, the date of collection and the discount rate to apply. More specifically, the loss amount is obtained as the difference between the carrying amount and the current value of the estimated cash flows, discounted at the original interest rate of the financial asset.
These assets are classified as current assets apart from those with a maturity of more than 12 months, which are included under non-current assets.

Derivatives
Derivative instruments entered into by the Group aim at managing the exposure to interest rate risk mainly relating to loan contracts.
On the date of entering into the contract, the derivative instruments are initially accounted for at fair value, and if the derivative instruments are not accounted for as hedging instruments, the changes in fair value recognised after first recognition are treated as operating components or financial components of the profit/loss for the year in relation to the nature of the instrument. On the other hand, if the derivative instruments meet the requirements to be classified as hedging instruments, the subsequent changes in fair value are accounted for by following the specific criteria provided by IFRS 9 indicated below. For each derivative financial instrument identified as a hedging instrument, its relationship with the hedged position is recorded, including the risk management objectives, the hedging strategy and the assessment of the effectiveness of the hedge. The effectiveness of each hedge will be checked both when taking out each derivative instrument and during its life. Hedging is generally considered to be "effective" if, both at the beginning and during its life, the changes in the fair value for fair value hedges or the expected future cash flows for cash flow hedges of the hedged element are substantially offset by the changes in fair value of the hedging instrument.
When the hedge relates to changes in fair value of assets or liabilities recorded on the financial statements (fair value hedge), both the changes in fair value of the hedging instrument and the changes in the hedged position are charged to the Income statement.
If the hedging aims to neutralise the risk of changes in future cash flows originating from the future execution of transactions considered to be highly probable at the date of the financial statements (cash flow hedge), the changes in fair value of the derivative instrument recorded after the first recognition are accounted for as components of the comprehensive profit or loss, to the extent of the effective amount only. When the financial effects caused by the hedged positions become manifest, the reserve is reversed back to the Income statement among the operational components. If the hedge is not perfectly effective, the change in fair value of the hedging instrument, with respect to the ineffective potion, will be immediately recorded on the Income statement. If, during the life of a derivative instrument, there is no longer an expectation that the transaction the hedge was set up for will occur, the portion of "reserves" relating to that instrument will be immediately reversed back to that year's Income statement. On the other hand, if the derivative instrument is sold or can no longer be classified as an effective hedging instrument, the portion of "reserves" representing the changes in fair value of the instrument, which had been recognised up to that point, is maintained as a component of the comprehensive profit or loss and reversed back to the Income Statement following the above-mentioned classification criteria, at the same time as occurrence of the economic effects of the transaction originally hedged. The fair value of listed instruments in public markets is determined by referring to the closing prices for the period. The fair value of unlisted instruments is measured by referring to financial measurement techniques: the fair value of interest rate swaps is measured by discounting back the expected cash flows, while the fair value of the forward exchange rates is calculated on the basis of the market exchange rates on the applicable date and the expected rate differentials between the currencies involved.
The financial assets and liabilities measured at fair value are classified in the three hierarchical levels described below, on the basis of the relevance of the (input) information used to calculate their fair value. More specifically:
Level 1: financial assets and liabilities whose fair value is calculated on the basis of listed prices (not amended) on active markets for identical assets and liabilities;

Level 2: financial assets and liabilities whose fair value was calculated on the basis of other input besides the listed prices mentioned in Level 1, but that can be directly or indirectly observed (mainly: market exchange rates on the applicable date, the expected rate differentials between the currencies involved and volatility of the applicable markets, interest rates and the price of commodities);
Level 3: financial assets and liabilities whose fair value is calculated on the basis of input data that is not based on observable market data.
Financial assets are removed from the statement of financial position when the right to receive the cash flows from the instrument has come to an end, and the company has essentially transferred all the risks and benefits relating to the instrument and the relative control.

Treasury shares

Treasury shares purchased are deducted from shareholders' equity according to the relative purchase cost. The purchase, sale, issue or cancellation of the company's own equity instruments does not entail recognition of any gain or loss in the income statement.

Cash and cash equivalents

Cash and cash equivalents include ready cash, i.e., values that are either available on demand or which can be quickly liquidated, will give good results and do not have collection costs. For the purposes of the consolidated cash flow statement, cash was represented gross of bank overdrafts at the reporting date.

Financial liabilities

Financial liabilities, including financial payables, trade payables, other payables and other liabilities besides the derivative instruments, are initially recognised at fair value, and afterwards measured at the amortised cost not including the repayments of principal already made.
The payables and other liabilities are classified as current liabilities unless the Group has the contractual right to discharge its obligations at least twelve months following the date of the financial statements. Financial liabilities are eliminated when they are discharged or when the specific obligation in the contract has been fulfilled, cancelled or expired.

Reverse factoring transactions

In order to guarantee facilitated access to credit for its suppliers, the Parent Company has set up factoring agreements, generally in the form of reverse factoring agreements. On the basis of the contractual structures in place, the supplier can assign, at its own discretion, the receivables owed from the Parent Company to a financial institution and collect the amount before it falls due; the supplier can also grant further extensions, agreed between the supplier and the Parent Company, to the payment terms provided for in the invoice. The extensions granted can be interest-bearing or non-interest bearing. Since the primary obligation is with the supplier, the relations between the parties stay the same and are therefore still classified under trade liabilities.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or where applicable, part of a financial asset or part of a group of similar assets) is derecognised from the financial statements when:

- rights to receive the cash flows from the asset are extinguished;
- the Group holds the right to receive cash flows from the asset, but has undertaken a contractual obligation to pay for them in full and immediately to a third party;

- the Group has transferred the right to receive cash flows from the asset and (a) has essentially transferred all the risks and benefits of ownership of the financial asset or (b) has not transferred nor retained the risks and benefits of the asset, but has transferred its control.

If the Group has transferred the rights to receive cash flows from an asset and has neither transferred nor held all the risks and benefits or has not lost control of them, the asset is recognised in the Group financial statements to the extent of its residual involvement in the asset. Residual involvement, which takes the form of a guarantee on the transferred asset, is valued at the lesser of the initial book value of the asset and the maximum value of the amount that the Group could be required to pay.
If the residual involvement takes the form of an option issued and/or acquired on the transferred asset (including the options regulated by cash or similar), the amount of Group involvement corresponds to the amount of the transferred asset that the Group can re-acquire; however, in the case of a put option issued on an asset measured at fair value (including options regulated in cash or with similar dispositions), the measure of residual involvement of the Group is limited to the lesser between the fair value of the transferred asset and the strike price of the option.

Financial liabilities
A financial liability is derecognised from the financial statements when the obligation underlying the liability is extinguished, voided or completed.
If an existing financial liability is replaced by another by the same lender, at substantially different conditions, or the conditions of an existing liability are essentially changed, this exchange or change is treated like an accounting elimination of the original liability and a new liability is recorded, posting to the income statement any differences between the book values.

Employee benefits

Benefits guaranteed to employees, paid concurrent to or subsequent to the cessation of the employment relationship through defined-benefit plans or other long-term benefits (withdrawal indemnity) are recognised in the period when this right vests.

The Group implemented defined-benefit and/or defined-contribution pension plans, based on conditions and local practices in the countries where the Group operates.

Liabilities related to defined-benefit plans, net of any activities to service the plan, are determined based on actuarial assumptions and are recognised on an accrual basis consistent with the employment services necessary to obtain the benefits. The liabilities are valued by actuarial staff. Gains and losses arising from the actuarial calculation relating to the defined-benefit plan are fully recognised in the statement of comprehensive income in the period in which they occur. These actuarial gains and losses are immediately classified as retained earnings and are not reclassified in the income statement in the following reporting periods.

Pursuant to amendments to employee severance indemnities under Italian Law no. 296 of 27 December 2006 (2007 Budget Law) and following decrees and regulations, the employee severance indemnities of Italian companies accrued as of 1 January 2007 or the date employees choose the option they will exercise are included in the defined-benefit plan category, both in the event of option for supplementary pension and option for allocation to the treasury fund at INPS. The accounting treatment of employee severance indemnities is now similar to that used for other types of pension scheme contributions.

Provisions for risks and charges

Provisions for risks and charges are allocated to cover losses or liabilities of a stated nature or of a certain or probable existence, the amount or date of which was not identified at year-end. Provisions are recognised when there is a current obligation (legal or implicit) arising from a past event that necessitates an amount of resources to meet the obligation and a reliable estimate can be made of the amount of the obligation. When the Group

believes that a provision to the reserve for risks and charges is partly or totally repaid, e.g. in the case of risks covered by insurance policies, the indemnity is only recognised as a separate item in the assets if, and only if, it is virtually certain. In this case, the cost of the provision in the income statement is stated net of the amount recognised for indemnity.
Provisions are booked at the representative value of the best estimate of the amount that the company would pay to extinguish the obligation, or to transfer it to third parties at the reporting date. If the effect of time-discounting the value of the cash is significant, provisions are determined by time-discounting expected future cash flows at a pre-tax discount rate that reflects the current market evaluation of the cost of money in relation to the time. When time-discounting is performed, the increase in the provision due as time passes is recognised as a financial charge.

Liabilities for decommissioning
An accrual for decommissioning expenses was made against costs that some foreign operations will incur in future periods for the decommissioning, demolition, dismantling and removal of some fixed assets at the end of their useful life. A credit to the plant and machinery entry was stated as a contra entry.
Decommissioning costs are carried at the present value of expected costs needed to settle the obligation, by using estimated cash flows and a pre-tax discount rate that reflects the specific risks related to the liabilities for decommissioning.
The unwinding of the discount is recognised in the income statement as it occurs. Estimated cash flows are revised annually and adjusted as appropriate. Any change in cost estimates or in the discount rate applied is used to reduce the costs of the asset.

Grants

Grants made by public bodies are recognised at fair value when it is reasonably certain that they will be received and the conditions provided for obtaining them are met.
If grants relate to cost components, they are recognised as revenues but are consistently spread out over the periods so that they refer to the costs they are intended to offset. If the grant is related to any activity or development activity whose value is recognised as a fixed asset, it directly reduces the value of the fixed assets.

Operating grants (granted in order to provide immediate self-financing to the business or as compensation for expenses and losses incurred in a prior financial year) are fully recognised in the income statement at the time when the conditions for posting are met.

Leases

A contract, or part thereof, is classified as a lease if, in exchange for a consideration, it confers the right to control the use of a specified asset for a period of time, therefore, if along the entire period of use of the asset, the following rights can be exercised:

a) the right to obtain substantially all the economic benefits deriving from the use of the asset; and
b) the right to decide on the use of the asset.

In the event of a change in the terms and conditions of the contract, a new assessment is carried out to determine whether the contract is or contains a lease.
The Group does not apply these rules to:

- leases of intangible assets;
- short-term leases (duration of less than or equal to 12 months);
- leases in which the underlying asset is of modest value (assets with a unit value of less than or equal to €5 thousand).

Once it has been verified whether a contract is a lease, the asset consisting of the right of use and the liability of the lease are recognised at the effective date of the contract.
The initial measurement of the right-of-use asset is at cost, which includes:

a) the amount of the initial measurement of the lease liability;

b) the payments made for the lease on or before the effective date, net of any lease incentives received; and
c) the initial direct costs incurred by the lessee.

The initial measurement of the lease liability takes place at the current value of the payments due for the lease and not yet paid at that date. Payments due for leases are discounted using an implied rate resulting from the contract if it is readily identifiable, otherwise the marginal borrowing rate, i.e. that rate of interest which one would have to pay, in a similar economic environment and for a loan with a similar duration and with similar security, to obtain an asset of similar value to the leased asset..

The lease term is determined as the non-cancellable period of the lease, to which both the following periods must be added:

a) periods covered by a lease extension option, if there is a reasonable certainty that the option will be exercised; and
b) periods covered by the lease termination option, if there is a reasonable certainty that the option will not be exercised.

The duration of the lease is redetermined in the event of a change in the non-cancellable period of the lease. After the initial recognition date, the asset is valued by applying the appropriate cost model. Assets consisting of the right of use are amortised from the effective date until the end of the lease term.

After the effective date, the lease liability is measured:

a) by increasing the book value to take into account interest on the lease liability;
b) by decreasing the book value to take into account the payments made for the lease;
c) by restating the book value to take into account any new valuations or amendments to the lease or a revision of payments due for the lease.

Interest on the lease liability and the variable payments due for the lease, not included in the measurement of the lease liability, are recognised in the income statement of the year in which the event or circumstance that triggers the payments occurs.

In the financial statements, the right-of-use assets are shown in fixed assets, the lease liabilities are shown in the financial liabilities, the interest expense on lease liabilities is recognised as financial expense and separately from the amortisation portion of the asset consisting of the right of use.

With regard to commitments corresponding to leases of less than 12 months and excluded from accounting under IFRS 16, these are of a negligible amount.

Assignment of stock grants to employees

The Group granted incentive plans based on instruments representing capital, on the basis of which the Group receives services from its employees, consultants or directors with delegation of authority in exchange for stock grants (units). The fair value of the services received is recognised as a labour cost. The total amount of the cost is determined based on the fair value of the granted units and a shareholders' equity reserve is its contra entry.

The total cost is recognised throughout the vesting period, which is the period during which all service conditions established for accrual of the rights must be met. The Group reviews the estimates based on the number of options expected to accrue on the basis of the accrual, and not the market, conditions on every reporting date. The effect of any changes from the original estimates is recognised in the consolidated income statement with contra entry in shareholders' equity.

Revenues and costs

Recognition of revenues

Revenues from contracts with customers are recognised on the basis of the temporary transfer of control of the goods and/or services to the customer. If the transfer of control is made while the item is being built or when the services are being provided, the revenues are recognised "over time", i.e. as the activity gradually progresses (as in the case of orders of significant value contracted with specific customers for limited production and customised according to predefined milestones); on the other hand, if control is not transferred while the item is being built or the services are being given, the revenues are recognised "at a point in time", i.e. at the time of

final delivery of the item or upon completion of provision of the services (as is the case for most of the Eurotech Group's revenues from the sale of goods and services). In order to assess progress of the contracts "over time", the Group has chosen the progress percentage criteria measured with the cost-to-cost method. When it is probable that the total costs of the contract for its entire life exceed the total revenues corresponding to the total life, the potential loss is recognised immediately in the Income statement.
The portion of fees held back by the principal, or in any case subject to repetition in accordance with the contractual clauses since they are subject to fulfilling obligations after delivery are not acquired.

Interest

Interest income and expenses are recognised according to interest accrued on the net value of related assets and liabilities using the effective interest rate (the rate that discounts all future cash flows based on the expected useful life of the financial instrument to equal the net book value of the financial asset).

Dividends

Dividends are reported when the shareholders' right to receive payment is established.

Income taxes

Current tax assets and liabilities for the period and for all prior periods are carried at the amount expected to be recovered or to be paid to the tax authorities pursuant to tax legislation in force. Tax rates and fiscal provisions used to calculate the amount are as issued or substantially issued at the reporting date of 31 December 2022.
Current taxes relating to elements recognised directly in shareholders' equity are recognised directly in shareholders' equity and not in the income statement.

Deferred tax liabilities are calculated using the liability method on temporary differences at the reporting date between tax amounts related to assets and liabilities and the amounts recognised in the financial statements.
Deferred tax liabilities are recognised with regard to all taxable temporary differences, except for:

- when deferred tax assets arise from initial posting of goodwill or an asset and liability in a transaction, which is not a business combination and which, at the time of the transaction, does not have an effect on income in the financial year calculated for the financial statements, nor on the income or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, affiliates and joint ventures, in the event that recharging temporary differences can be controlled and it is likely that it will not take place in the foreseeable future.

Deferred tax assets are recognised against deductible temporary differences and tax losses carried forward to the extent that the company is likely to earn taxable income in the future, which can make applicable the use of deductible temporary differences and tax losses carried forward, unless:

- the deferred tax asset related to temporary deductible differences arises from the initial recognition of an asset or liability in a transaction that is a business combination and which, at the time of the transaction, does not influence the profit for the year calculated for the financial statements or income or loss calculated for tax purposes;
- in the case of taxable temporary differences associated with equity investments in subsidiaries, affiliates and joint ventures, tax assets are recognised in the amount that temporary differences might be used in the immediate future and that there is adequate taxable income against which the temporary differences can be used.

The recoverability of deferred tax assets is reviewed at each balance sheet date; they are recognised to the extent that it is more likely than not that sufficient taxable profits will be available in the foreseeable future to allow all or part of this credit to be utilised.

Since certain Group companies reported losses in previous years, the Group recognises a deferred tax asset resulting from tax losses or unused tax credits only to the extent that the temporary taxable differences are sufficient or there is convincing documentary evidence of sufficient future taxable income

Deferred tax assets and liabilities are recognised based on the tax rates expected to be applied during the year when these activities are realised or these liabilities extinguished, taking into account the rates in force and those issued or allocated at year-end.
Deferred tax assets and liabilities related to items posted to shareholders' equity are directly recognised in shareholders' equity and not in the income statement.
Deferred tax assets and deferred tax liabilities are offset if there is a legal right to offset current tax assets and liabilities and deferred income taxes referring to the same taxable object and the same tax authorities.

F — Business combinations

On 12 September 2022, the Eurotech Group purchased 100% of the shares with voting rights of InoNet Computer GmbH (InoNet) (unlisted company based in Taufkirchen – Germany), a company particularly well-known in the German-speaking market for its Industrial PCs and Edge AI. This consolidated annual report includes the results of InoNet Computer GmbH for four months, i.e. from September (the month in which the acquisition took place) to December 2022.

As a result of the short period between the date of acquisition and the end of the reporting period, he differential between the price paid and the assets acquired, based on the purchase method, was provisionally allocated entirely to goodwill (provisional allocation). A final price allocation will then be defined with the support of an appointed expert by establishing the fair value in accordance with IFRS 3 of the identifiable assets and liabilities of InoNet Computer GmbH at the acquisition date (provisional allocation). The provisional values currently determined are as follows:

(€'000)	Value recognized for acquisition	Book value
ASSETS		
Intangible assets	8,299	186
Property, Plant and equipment	3,900	3,900
Deferred tax assets	13	13
Total non-current assets	**12,212**	**4,100**
Inventories	2,107	2,107
Trade receivables	2,585	2,585
Other current assets	181	181
Cash & cash equivalents	1	1
Totale current assets	**4,874**	**4,874**
Total assets	**17,086**	**8,973**
LIABILITIES		
Medium-/long-term borrowing	(3,820)	(3,820)
Deferred tax liabilities	(43)	(43)
Other non-current liabilities	(77)	(77)
Total non-current liabilities	**(3,940)**	**(3,940)**
Trade payables	(1,243)	(1,243)
Short-term borrowings	(869)	(869)
Income tax liabilities	(185)	(185)
Other current liabilities	(499)	(499)
Total current liabilities	**(2,796)**	**(2,796)**
Total liabilities	**(6,736)**	**(6,736)**
Total liabilities and shareholders' equity	**(6,736)**	**(6,736)**

Fair value of net assets	**10,350**
Part of Eurotech	**10,350**
Goodwill generated by acquisition	**8,113**
Acquisition of minority interests	**0**
Cost of the Acquisition	**10,350**
Ancillary Acquisition Costs recognize in the income statement	**913**
Total Cost of the Acquisition	**11,263**

The total cost of the acquisition of €11,263 thousand was made up of a spot-settled portion of the price in the amount of €9,450 thousand, a liability to be settled in a deferred manner by means of Eurotech S.p.A. shares as earn-out in the amount of €900 thousand, and accessory costs directly attributable to the acquisition in the amount of €913 thousand, referring to related legal, notary and tax costs and other costs for professional services.
The value of the estimated earn-out liability will be re-measured periodically in relation to the re-evaluation of the extent and probability of achieving a series of targets of the acquired component underlying the payment.

The net liquidity currently used and the total liquidity allocated to the acquisition are as follows:

(€'000)	Liquidity used
Subsidiary's net liquidity	(550)
Cash payment	10,000
Acquisition costs	913
Destined Net liquidity for the acquisition	**10,363**
Amounts to be cash out	272
Net liquidity used	**10,091**
Financial liabilities related to the earn-out	**900**

Since the date of acquisition, InoNet contributed a positive €70 thousand to the Group's net result, and a negative €913 thousand due to acquisition-related costs recognised in the income statement.
The contribution for the consolidation period, in terms of turnover, was €5.23 million and as net result was €-0.10 million.

G – Segment reporting

For management purposes, the Group considers only one business sector as relevant: the "NanoPC" sector. Thus, the disclosure is provided for the sole identified sector, broken down on a geographical basis. The geographical areas are produced in relation to the various group entities and based on the criteria with which they are currently monitored by top management.
The Group's geographical areas are defined according to the localisation of Group assets and operations. They are: Europe, North America and Asia.
Management monitors the gross profit margin of the individual business units separately for the purposes of resources allocation and performance assessment.

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	FY 2022	FY 2021	% YoY Change	FY 2022	FY 2021	% YoY Change	FY 2022	FY 2021	% YoY Change	FY 2022	FY 2021	% YoY Change	FY 2022	FY 2021	% YoY Change
Third party Sales	39,728	28,638		25,900	14,121		28,636	20,389		0	0		94,264	63,148	
Infra-sector Sales	2,324	1,149		6,064	5,055		428	35		(8,816)	(6,239)		0	0	
Total Sales revenues	42,052	29,787	41.2%	31,964	19,176	66.7%	29,064	20,424	42.3%	(8,816)	(6,239)	-41.3%	94,264	63,148	49.3%
Gross profit	16,926	10,523	60.8%	12,385	7,827	58.2%	13,758	10,523	30.7%	(676)	605	-211.7%	42,393	29,478	43.8%
Gross profit margin - %	40.3%	35.3%		38.7%	40.8%		47.3%	51.5%					45.0%	46.7%	
EBITDA													6,264	(2,747)	-328.0%
EBITDA margin - %													6.6%	-4.4%	
EBIT													751	(7,587)	-109.9%
EBIT margin - %													0.8%	-12.0%	

The sales performance broken down by geographic area set out in the table above shows increases in all reference areas.
The table below shows assets and investments in the Group's individual business areas at 31 December 2022 and 31 December 2021.

(€'000)	North America		Europe		Asia		Correction, reversal and elimination		Total	
Assets and liabilites	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Segment assets	48,009	45,313	92,208	83,037	76,591	74,823	-41,607	-38,662	175,201	164,511
Investments in subsidiaries non consolidated, associate & other companies	123	116	426	426	0	0	0	0	549	542
Total assets	**48,132**	**45,429**	**92,634**	**83,463**	**76,591**	**74,823**	**-41,607**	**-38,662**	**175,750**	**165,053**
Segment liabilities	40,569	42,310	47,670	32,985	22,558	18,015	-41,562	-38,693	69,235	54,617
Total liabilities	**40,569**	**42,310**	**47,670**	**32,985**	**22,558**	**18,015**	**-41,562**	**-38,693**	**69,235**	**54,617**
Other segment information										
Investments in tangible assets	30	70	193	273	44	830	0	0	267	1,173
Investments in intangible assets	334	417	3,138	2,523	188	809	0	-76	3,660	3,673
Depreciation & amortisation	1,081	830	3,269	2,886	1,263	1,195	-100	-71	5,513	4,840

H – Breakdown of key entries of the statement of financial position

1 – Intangible assets

The following table shows the changes in the historical cost and accumulated amortisation of intangible assets in the reporting period:

(€ '000)	DEVELOPMENT COSTS	GOODWILL	SOFTWARE TRADEMARKS PATENTS	ASSETS UNDER CONSTRUCTION & ADVANCES	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Purchase or production cost	14,672	76,668	22,356	4,593	28,391	146,680
Previous years' impairment	(863)	(7,449)	(7,457)	(56)	-	(15,825)
Previous years' amortisation	(10,202)	-	(5,487)	-	(28,391)	(44,080)
OPENING BALANCE 2021	**3,607**	**69,219**	**9,412**	**4,537**	**-**	**86,775**
Purchases	267	-	106	3,300	-	3,673
Disposals	(445)	-	(32)	-	-	(477)
Other changes	57	1,183	414	90	(611)	1,133
Impairment in period	-	(186)	-	-	-	(186)
Transfers	2,736	-	852	(3,588)	-	-
Amortisation in period	(2,128)	-	(617)	-	-	(2,745)
Reversal of cumulative amortisation	353	-	32	-	-	385
Decreases in cumulative impairment	92	-	-	-	-	92
Other changes in cumulative impairment	(7)	(495)	(572)	-	-	(1,074)
Other changes in cumulative amortisation	(61)	-	(83)	-	611	467
TOTAL CHANGES	**864**	**502**	**100**	**(198)**	**-**	**1,268**
Purchase or production costs	17,287	77,851	23,696	4,395	27,780	151,009
Impairment	(778)	(8,130)	(8,029)	(56)	-	(16,993)
Cumulative amortisation	(12,038)	-	(6,155)	-	(27,780)	(45,973)
CLOSING BALANCE 2021	**4,471**	**69,721**	**9,512**	**4,339**	**-**	**88,043**

(€ '000)	DEVELOPMENT COSTS	GOODWILL	SOFTWARE TRADEMARKS PATENTS	ASSETS UNDER CONSTRUCTION & ADVANCES	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Purchase or production cost	17,287	77,851	23,696	4,395	27,780	151,009
Previous years' impairment	(778)	(8,130)	(8,029)	(56)	-	(16,993)
Previous years' amortisation	(12,038)	-	(6,155)	-	(27,780)	(45,973)
OPENING BALANCE	**4,471**	**69,721**	**9,512**	**4,339**	**-**	**88,043**
Purchases	554	-	126	2,980	-	3,660
Changes in consolidation area	267	8,113	272	100	-	8,752
Disposals	(646)	-	-	-	-	(646)
Other changes	(66)	(1,665)	(597)	(19)	(1,700)	(4,047)
Transfers	4,099	-	514	(4,613)	-	-
Amortisation in period	(2,948)	-	(737)	-	-	(3,685)
Reversal of cumulative amortisation	646	-	-	-	-	646
Increases in cumulative amortisation due to changes in consolidation area	(201)	-	(242)	-	-	(443)
Other changes in cumulative impairment	-	(398)	(36)	-	-	(434)
Other changes in cumulative amortisation	83	-	(9)	-	1,700	1,774
TOTAL CHANGES	**1,788**	**6,050**	**(709)**	**(1,552)**	**-**	**5,577**
Purchase or production costs	21,495	84,299	24,011	2,843	26,080	158,728
Impairment	(778)	(8,528)	(8,065)	(56)	-	(17,427)
Cumulative amortisation	(14,458)	-	(7,143)	-	(26,080)	(47,681)
CLOSING BALANCE	**6,259**	**75,771**	**8,803**	**2,787**	**-**	**93,620**

The increase in intangible assets is the cumulative effect of the change in the scope of consolidation due to the acquisition of InoNet and investments, which for the year amounted to €3,660 thousand, of amortisation and write-downs, which add up to €3,685 thousand, and the change in exchange rates that, represented in the related item, have increased intangible assets by €2,707 thousand.

Investments refer primarily to recognition of development costs by the Group companies and to the costs incurred for net software licenses.
The “Other changes” item refer to the exchange differences accrued on the opening balances of the values expressed in foreign currency, particularly the “goodwill” and “trademarks”, which include the value defined at the time of allocation of the price of the acquisitions, in addition to the reversal of intangible assets entirely amortised during the previous year.

In 2022, the Group also spent about €7.1 million for research and development of numerous projects regarding product and process innovations that will allow, also in the future, to maintain the Group competitive in the high technology segments.

The "trademarks" item was partially written down in 2008 to reflect the decision made by the management of Eurotech to no longer use the ADS and Arcom trademarks commercially, but to continue to retain their ownership for possible future use.
Therefore, the “Advanet” trademark is still valued at the time of acquisition of the Advanet Group and it continues to be defined by management as an asset with an indefinite life, as its use for commercial and production purposes has no time limits, considering its characteristics and its position on the Japanese market. As a result, it is not subject to amortisation, but instead to almost an annual impairment tests.

Goodwill refers to the overall higher value paid, when fully-consolidated subsidiaries were acquired, in excess of the fair value of the assets and liabilities acquired. Goodwill is not subject to amortisation but is subject to almost an annual impairment tests.
As a result of the aforementioned InoNet acquisition, the provisional allocation resulted in a goodwill of €8,113 thousand. As required by IFRS 3, a specific analysis of the consideration paid will be carried out within 12 months of the acquisition date in order to determine the fair value of the net assets acquired and liabilities assumed. If property, plant and equipment and intangible assets with definite useful life are identified at the end of the measurement period, the provisional amounts recognised on acquisition will be adjusted with retroactive effect to the date of acquisition.

At the end of 2022, following the impairment test, it was not deemed necessary to write down the goodwill. Last year, the write-down concerned the entire residual value (€186 thousand) of the goodwill related to the French subsidiary Eurotech France. In 2022, also based on the results achieved in line with the forecasts made at the beginning of the year, it is currently believed that there are no impairment risks that could lead to a possible write-down of the goodwill of the main individual cash-generating units identified in accordance with the development of the Group's business on a geographical basis.

The increase on development costs relative to internal activities carried out by the Group during the year is capitalised net of any contributions received. These fixed assets with a definite useful life are amortised on a straight-line basis based on the life cycle of the products developed, which is estimated at three to five years, beginning from the date of completion of the relevant development project. This asset is subject to impairment tests whenever loss of value is indicated. The directors, on the basis of existing and prospective opportunities, consider the recognised values reasonably recoverable.

The “software, trademarks, patents and licences” item mainly includes the costs incurred to implement what became the Group’s new single information system. Software is amortised on a straight-line basis over three financial years. The increase during the year is mainly due to costs incurred for the purchase of further several software licenses.

The “assets in progress” item of €2,787 thousand is entirely made up of development costs (internal payroll costs, materials and services) related to new products in the Internet of Things, and to the NanoPC modules and systems, which were still in the project stage at year-end or for which production had not yet been launched.

Carrying value of goodwill and the trademarks allocated to each of the cash-generating units:

In order to carry out the annual impairment test, the posted individual goodwill and trademarks with an indefinite useful life acquired through business combinations were allocated to their respective cash-generating units, corresponding to the legal entity or Group of companies to which they refer to test for impairment.

(€ '000)	at December 31, 2022		at December 31, 2021	
Cash generating units	**Goodwill**	**Trademark with an indefinite useful life**	**Goodwill**	**Trademark with an indefinite useful life**
Advanet Inc.	39,647	7,529	42,773	8,122
Inonet Computer Gmbh	8,113	-	-	-
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	22,997	-	21,661	-
Eurotech Ltd. (ex Arcom Ltd.)	4,924	-	5,197	-
Eurotech France S.a.s.	-	-	-	-
Other	90	-	90	-
TOTAL	**75,771**	**7,529**	**69,721**	**8,122**

Compared to the impairment test performed at 31 December 2021, a new CGU was included in light of the acquisition of InoNet Computer GmbH on 12 September 2022.
The recoverable values of the individual CGU were calculated according to their value in use, which was determined using the discounted cash flow (DCF) method. The projected discounted cash flows set out in the new 2023-2027 operating and financial plan, approved by Parent Company directors by resolution of 7 March 2023 (hereinafter the "Plan"), were used to calculate the relative value, while the cash flows beyond the specified time horizon as set out in the Plan, and for the purposes of calculating terminal value were extrapolated using the perpetual annuity method, based on flows not dissimilar to those contained in the third year of the approved plan. The plans were prepared in the respective functional currencies, and the consequent recoverable values were uniformly compared with the carrying values in foreign currency allocated to the various cash-generating units.

The growth rate "g" used to calculate terminal value is 1.5% (as during 2021), conservatively less than the average long-term growth rate forecast for the various core markets. The discount rate (WACC – Weighted Average Cost of Capital) applied to prospective cash flows is different depending on the different percentages of the main business lines in the Plan in the various years, so it was weighted annually. The WACC therefore varies within a range of 5.62% to 12.39% calculated according to the country where the individual companies operate, and to the debt structure over the various years of each company, and it was determined net of tax effects.
The key parameters used for impairment tests are as follows:

	ITA	JAP	USA	GER	UK
Risk free	3,96%	0,29%	3,46%	1,74%	3,05%
Premium	5,50%	5,90%	5,60%	5,70%	6,10%
Beta unlevered	da 0,94 a 0,95	da 0,94 a 0,95	da 0,94 a 0,95	da 0,94 a 0,95	da 0,94 a 0,95
WACC	da 8,87% a 12,39%	da 5,62% a 9,12%	da 8,49% a 12,00%	10,41%	da 8,54% a 12,05%

With reference to the test on the CGUs of the Group's consolidated financial statements, the rates of return of government bonds with a 10-year maturity of the reference countries: Japan, the USA, the UK and Germany, in the time horizon of six months prior to 31 December 2022, were used as the risk free benchmark.
The market risk premium was identified for each CGU in consideration of the value of the reference country, based on the data provided by the analyses and related findings presented by Fernandez in the report "Market risk premium and risk free rate used for 95 countries in 2022" (January 2023).
The unlevered beta used differs slightly between the specific one for business lines Board&Systems and the IoT business; for all the Cash-Generating Units (CGUs) considered, it corresponds to the average beta observed by Bloomberg for listed companies that are comparable to the Parent Company in terms of the main business lines of the Parent Company itself, from S&P Capital IQ as source.

For calculation of the WACC for the CGUs, this Beta factor was considered in the re-levered version, taking into consideration the leverage effect from the average ratio of the debt and equity of the sector and the tax rate of the CGU reference country.
Taking account of the assumptions underlying the 2023-2027 operating and financial plans and the use of the main parameters identified for the single markets of reference, the values in use coming from the impairment tests performed showed no need to reduce the value of goodwill and trademarks with indefinite life (goodwill and trademarks booked in the Advanet Inc. CGU).
With regard to the values related to the IoT business line, the highest WACC was used on all the CGUs and in line with what was done the previous year by virtue of the additional risk premium of 3.5% to reflect the general riskiness of a business that is still being developed.
The WACC used for each CGU was calculated in consideration of the specific weighting between the Board&Systems business line and the IoT business line, based on their contribution to the Gross Profit of the CGU.
The WACC calculated in this way showed an increase compared to 31 December 2021 (1.7% for the US, 2.5% for the UK and 0.6% for Japan) mainly due to the increase in risk free rates.
In this regard, some sensitivity analyses were also prepared in order to assess the volatility of the results obtained as a result of the variation of some parameters considered in the valuation exercise, such as WACC and g-rate, WACC and reduction of EBITDA over the Plan horizon. The sensitivity analyses performed confirmed the results of the impairment tests, showing no potential impairment losses even in the event of a joint deterioration of the above parameters.
Other conditions being equal, the WACC of the Terminal Value that would bring about an impairment should be equal to or higher than 11.7% for Eurotech Ltd., 14.6% for Eurotech Inc., 10.5% for Advanet Inc. and 23.4% for InoNet Computer GmbH.
Acknowledging that, on the basis of the phase of expansion in which the individual CGUs are, the terminal values are significant (even more than 87% of the “value in use”), some assumptions of a significant reduction in EBITDA values were also analysed versus other items of the statement of financial position of the previous year and/or of the years included in the plan. It emerged that, in the Advanet CGU, only a limited growth of 50% in the EBITDA of the last year of the plan, would entail a non-recoverability of the invested capital; with reference to the Eurotech Inc. CGU, the impairment test would give rise to problems if, in the last year of the plan, EBITDA were lower than the current values by around 31%; with regard to the InoNet Computer GmbH CGU, the impairment test would be problematic if EBITDA in the last year of the plan were approximately 60% lower than the current values. In the CGU relating to Eurotech Ltd., impairment risks would arise only if, again in 5 years, it was not possible to reach an amount of EBITDA higher than €1.8 million.
Furthermore, as already mentioned, management believes that the long-term growth estimate for 2022 of 1.5%, the same as for 2021 and in previous years, is far below estimates for the reference (European, Japanese and U.S.) Embedded PC markets.
Preparing the Level II test with reference to the Group as a whole, the WACC approach for the reference CGUs is confirmed. The risk free rate was determined as the weighted average (in consideration of 2022 revenues) of the yields of the six months prior to 31 December 2022 of the Government Bonds of the countries in which the Group operates. In particular, for Italy the 30-year maturity was considered, while for those countries for which the Government Bonds were not liquid, a nominal Risk Free rate was used, calculated as the sum of the yield of the 10-year Government Bond of countries with a AAA (US) rating re-expressed to consider the inflation differential between the reference country and the US, and the risk premium of the specific country, determined by the spread between the Credit Default Swaps (CDS) of the reference country and the US CDS (AAA rating), a methodology supported by an external consulting firm and consistent with that adopted last year.
Generally, the directors also assumed in their assessments that on the basis of the current external indicators (particularly Eurotech's stock market performance and market capitalisation) that there were no risks of impairment of the net assets, as noted on a number of occasions. These indicators show how the amounts recognised can be recovered.
In evaluating the recoverability of the book values upon testing for impairment, there was no additional impairment found since the total recoverable value was higher than the book value of the asset. The value of the existing orders, orders included in the portfolio, ongoing opportunities, stakeholder relations and products currently in the portfolio, as well as products developed, particularly in recent years for the IoT market, are

regarded by the Directors as important factors to justify the current amounts considered, also represented by the external indicators and therefore not changing the amounts posted.
A further analysis made by management, also in relation to recent market and economic conditions, determined that it would not be necessary to reduce the amounts recorded.

2 – Property, plant and equipment

The table below shows changes in the historical cost and accumulated depreciation and the value of the assets in the period under review and in the previous one:

(€ '000)	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION & ADVANCES	RIGHT OF USE ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
Purchase of production cost	2,847	5,768	5,317	5,801	33	5,611	25,377
Depreciation	(101)	-	-	-	-	-	(101)
Previous year's depreciation	(652)	(5,541)	(4,905)	(5,083)	-	(2,627)	(18,808)
OPENING BALANCE 2021	**2,094**	**227**	**412**	**718**	**33**	**2,984**	**6,468**
Purchases	51	293	91	143	-	595	1,173
Disposals	-	(639)	(36)	(192)	-	(125)	(992)
Assets reclassified among assets held for sale	(733)	-	-	-	-	-	(733)
Other changes	-	(116)	21	56	-	87	48
Impairment in period	(19)	-	-	-	-	(61)	(80)
Transfers	11	2	20	-	(33)	-	-
Depreciation in period	(75)	(72)	(188)	(249)	-	(1,245)	(1,829)
Reversal of cumulative depreciation	-	641	36	176	-	2	855
Accumulated amortization reclassified under assets held for sale	248	-	-	-	-	-	248
Decreases in cumulative impairment due to reclassification to assets held for sale	120	-	-	-	-	-	120
Other changes in cumulative amortisation	-	114	(28)	(81)	-	(54)	(49)
TOTAL CHANGES	(397.00)	223.00	(84.00)	(147.00)	(33.00)	(801)	(1,239.00)
Purchase or production cost	**2,176**	**5,308**	**5,413**	**5,808**	**-**	**6,168**	**24,873**
Depreciation	-	-	-	-	-	(61)	(61)
Cumulative depreciation	(479)	(4,858)	(5,085)	(5,237)	-	(3,924)	(19,583)
CLOSING BALANCE 2021	**1,697**	**450**	**328**	**571**	**-**	**2,183**	**5,229**

(€ '000)	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION & ADVANCES	RIGHT OF USE ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
Purchase of production cost	2,176	5,308	5,413	5,808	-	6,168	24,873
Depreciation	-	-	-	-	-	(61)	(61)
Previous year's depreciation	(479)	(4,858)	(5,085)	(5,237)	-	(3,924)	(19,583)
OPENING BALANCE	**1,697**	**450**	**328**	**571**	**-**	**2,183**	**5,229**
Purchases	-	8	66	145	10	38	267
Variazione area di consolidamento	-	-	445	568	-	3,764	4,777
Disposals	-	(95)	(129)	(725)	-	(251)	(1,200)
Other changes	(3)	(244)	(76)	(48)	(10)	(173)	(554)
Transfers	-	-	-	2	-	(2)	-
Depreciation in period	(60)	(75)	(174)	(242)	-	(1,277)	(1,828)
Reversal of cumulative depreciation	-	96	129	697	-	151	1,073
Increases in cumulative amortisation due to changes in consolidation area	-	-	(380)	(496)		-	(876)
Other changes in cumulative impairment	-	-	-	-	-	61	61
Other changes in cumulative amortisation	1	222	64	11	-	178	476
TOTAL CHANGES	**(62)**	**(88)**	**(55)**	**(88)**	**-**	**2,489**	**2,196**
Purchase or production cost	2,173	4,977	5,719	5,750	-	9,544	28,163
Cumulative depreciation	(538)	(4,615)	(5,446)	(5,267)	-	(4,872)	(20,738)
CLOSING BALANCE	**1,635**	**362**	**273**	**483**	**-**	**4,672**	**7,425**

The "Land and buildings" item amounting to €1,635 thousand includes the value of the building (located in Amaro — UD - inclusive of land and improvement costs) in which the parent company's production site is located and the value of the Parent Company's property in Amaro (UD) inclusive of land (used as offices).
The increases of €8 thousand in plant and machinery, €66 thousand in industrial and commercial equipment and €145 thousand in other assets refer mainly to equipment replacement and new assets required to make the operations of the individual Group companies more efficient and effective.
Right-of-use assets includes mainly leases, in accordance with IFRS 16. Leases refer to the rents of industrial and commercial buildings as well as office areas and leases of office machines. During the year, following the change in the scope of consolidation, there was an increase of €3,764 thousand representing the lease of the newly-acquired property. These assets, concerning the "Right of use", are then depreciated on a straight line basis for the duration of the contract, taking account of the renewal/termination options, which are highly likely to occur. Depreciation recognised with reference to the “Rights of use” assets during the year amounted to a total of €1,277 thousand.

The “other changes” item refers to exchange differences accrued on the opening balances of the values at cost and accumulated depreciation.

3 – Equity investments in affiliates and other companies

The table below shows changes in equity investments in affiliates and other companies in the reporting period:

	at December 31, 2022				
(€'000)	INITIAL VALUE	WRITE-UPS /WRITE-DOWN	OTHER	EOP VALUE	% OWNERSHIP
Investments in associate companies (valuation using the equity method):					
Rotowi Technologies S.r.l. in liquidazione (ex U.T.R.I. S.p.A.)	-	-	-	-	21.32%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	**-**	**-**	**-**	**-**	
Investments in other companies (valuation at fair value on the Profit&Loss):					
Consorzio Ecor' IT	2	-	-	2	
Consorzio Aeneas	5	-	-	5	
Consorzio Ditedi	19	-	-	19	7.69%
Interlogica S.r.l.	400	-	-	400	10.00%
Kairos Autonomi	115	-	7	122	19.00%
Others	1	-	-	1	
TOTAL INVESTMENTS IN OTHER COMPANIES	**542**	**-**	**7**	**549**	

At 31 December 2022, Eurotech Group owns a connection shareholding as equity in Rotowi Technologies S.p.A. (former UTRI S.p.A.): equal to 21.32%, following a series of share purchases in 2007 and 2008. This affiliate presented a debt restructuring plan in 2010 pursuant to Art. 182-bis of the Italian Budget Law, which led to a non-recoverability valuation for the booked value as the only long-term interest in relation to the associate. The closing dates of the financial statements and the financial years of the affiliate coincide with those of the Parent Company.

The table below shows the values of the assets, liabilities, revenues and annual results of equity investments in affiliates at 31 December 2021, as operating and financial information for year-end 2022 is not yet available.

(€'000)	At December 31, 2022 Rotowi Tech.	At December 31, 2021 Rotowi Tech.
Share of the Associate's balance sheet:	**(*)**	**(*)**
Current assets	172	172
Non current assets	0	0
Current liabilities	(554)	(554)
Non current liabilities	(245)	(245)
Net assets	**(627)**	**(627)**
Revenue	0	0
Profit (Loss)	(3)	(3)
Carrying amount of the investment	**0**	**0**
Reserve for losses on equity interests in affiliates	**0**	**0**

(*) FY2020

4 – Other non-current assets

The table below shows the breakdown of other non-current assets at 31 December 2022 and 31 December 2021:

(€'000)	at December 31, 2022	at December 31, 2021
Other non-current receivables	552	620
TOTAL OTHER NON CURRENT ASSETS	**552**	**620**

Other non-current receivables mainly comprise security deposits that do not accumulate interest; they are in line with the previous year. The decrease is essentially due to an exchange rate effect on the values expressed in JPY.

5 – Inventories

The table below shows the breakdown of inventories at 31 December 2022 and 31 December 2021:

(€'000)	at December 31, 2022	at December 31, 2021
Raw & auxiliary materials and consumables - gross	19,155	12,584
Inventory write-down provision	(2,482)	(2,478)
Raw & auxiliary materials and consumables - net	**16,673**	**10,106**
Work in process and semi-finished goods - gross	1,675	718
Inventory write-down provision	(114)	(103)
Work in process and semi-finished goods	**1,561**	**615**
Finished poducts and goods for resale - gross	10,596	9,767
Inventory write-down provision	(3,083)	(3,046)
Finished products and goods for resale - net	**7,513**	**6,721**
Advances	**1,107**	**204**
TOTAL INVENTORIES	**26,854**	**17,646**

Inventories at 31 December 2022 amounted to €26,854 thousand (€17,646 thousand at 31 December 2021), net of inventory write-down provision totalling €5,679 thousand. The provision increased by only €52 thousand due to the effect of balancing usage following specific scrappings and a positive forex effect combined with a provision to adjust the value of components and the products held by the Group, which have a risk of technical obsolescence and slow movement.

The following table shows the changes in inventory write-down provision in the periods under review:

(€'000)	at December 31, 2022	at December 31, 2021
OPENING BALANCE	**5,627**	**5,325**
Provisions	568	415
Other changes	376	356
Utilisation	(892)	(469)
CLOSING BALANCE	**5,679**	**5,627**

Inventory write-down provision

The “other changes” item refers to changes in the write-down provisions due to foreign exchange differences.
The raw materials inventory write-down provision of €2,482 thousand refers to obsolete or slow moving materials, whose full posted value some Group companies do not expect to recover. The increase for the year amounted to €4 thousand.
The finished products write-down provision of €3,083 thousand, which covers the risk of slow turnover in certain standard and custom finished products, increased by €37 thousand to reflect the possible recovery value of obsolete products or the slow turnover.

6 – Trade receivables

The table below shows the breakdown of trade receivables and the respective doubtful debt provision at 31 December 2022 and 31 December 2021:

(€'000)	at December 31, 2022	at December 31, 2021
Trade receivables - customers	20,561	11,672
Trade receivables - realted paties	8	1
Doubtful debt provision	(663)	(393)
TOTAL TRADE RECEIVABLES	**19,906**	**11,280**

Trade receivables falling due within 12 months are normally non-interest bearing and generally fall due at 90/120 days.
Trade receivables increased by €8,626 thousand compared to 31 December 2021. The value of bank receipts presented subject to collection amounted to €683 thousand. Many of the existing receivables at 31 December 2022 have been collected to date.

Receivables are shown net of a doubtful debt provision of €663 thousand. Changes in doubtful debt provision in the years under review were as follows:

(€'000)	at December 31, 2022	at December 31, 2021
OPENING BALANCE	**393**	**492**
Provisioning	260	74
Other changes	25	7
Utilisation	(15)	(180)
CLOSING BALANCE	**663**	**393**

Provisions of €260 thousand made during the year was necessary to adjust individually the value of receivables on the basis of their expected losses.
Utilisation of the doubtful debt provision is the result of uncollectable receivables partially or totally covered by the relevant provision.
Group policy is to specifically identify the specific receivables to be written down, and the allocations made therefore reflect a specific write-down. The "other changes" item includes the effect of translating financial statements in foreign currency.

At 31 December 2022, trade receivables that were past due but not written down were as follows:

			Overdue but not write-off				
€ '000	Total	Not overdue	< 30 days	30 - 60 days	60 - 90 days	90 - 180 days	Over 180 days
2022	20,569	17,469	2,064	143	143	125	625
2021	11,673	9,544	994	444	50	123	518

Receivables over 180 days represented 3.0% of trade receivables at 31 December 2022, which is lower than the 4.4% relating to 2021. The Directors believe that though contained, the amount is still recoverable notwithstanding the extension of collection granted.
There are no unexpired receivables, which provide for a deferred payment of more than 12 months.

7 – Tax receivables and payables

Tax receivables represent receivables from individual governments for direct taxation (IRES and income taxes in various countries), which should be recovered within the next year, as well as receivables for withholdings made by the US companies following payment of interest charges on intragroup loans and dividends distributed to the Parent Company by Advanet Inc. Compared to 31 December 2021, the value decreased by €52 thousand, from €801 thousand in 2021 to €749 thousand in 2022.

Tax payables are made up of current taxes relating to the year still to liquidate and represent the amounts that the companies must pay to the tax authorities of the respective countries. These payables are calculated according to the tax rates currently in force in each country. Foreign tax payables amounted to €189 thousand (2021: €24 thousand), those for Italian tax payable amounted to €1,260 thousand (2021: €191 thousand).

Tax payables and receivables are offset if there is a legal right to do so.

8 – Other current assets

The table below shows the breakdown of other current assets at 31 December 2022 and 31 December 2021:

(€'000)	at December 31, 2022	at December 31, 2021
Amounts receivable for grants	0	50
Advance payments to suppliers	238	185
Tax receivables	157	483
Other receivables	716	186
Accrued income and prepaid expenses	1,163	1,226
TOTAL OTHER CURRENT ASSETS	**2,274**	**2,130**

Tax receivables mainly comprise receivables for indirect tax (VAT). VAT receivables do not bear interest and are generally settled with the competent tax authority on a monthly basis.

Prepaid expenses relate to costs borne in advance for bank charges, maintenance fees, utilities, services and insurance.

9 – Cash and cash equivalents

The table below shows the breakdown of cash and cash equivalents at 31 December 2022 and 31 December 2021:

(€'000)	at December 31, 2022	at December 31, 2021
Bank and post office deposits	18,096	31,689
Cash and valuables in hand	14	15
TOTAL CASH & CASH EQUIVALENTS	**18,110**	**31,704**

Bank deposits are mainly on demand and remuneration is limited due to the interest rate curve. The fair value of cash and cash equivalents was €18,096 thousand (€31,689 thousand at 31 December 2021).
The item showed a €13,594 thousand decrease compared to 31 December 2021 due to the use of available funds for the purchase of the subsidiary InoNet Computer GmbH, for the repayment of loans and for the management of operations.

10 – Other financial assets and liabilities

The amount recorded equal to €139 thousand (2021: €123 thousand) comprises €105 thousand of a three-year insurance policy, €31 thousand related to an investment of liquid assets in low risk funds and €3 thousand in interest accrued on the loan granted to Kairos Autonomi Inc., which will be repaid in the next year.
The Parent Company also holds 2,500 shares of Veneto Banca Holding S.c.a.r.l., which were purchased in 2012 and completely written down in 2016, in order to adjust the value to the market value that currently amounts to €0.1.

11 – Net financial position

The table below shows the Group's net financial position at 31 December 2022 and 31 December 2021:

(€'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)**

The consolidated net financial position at 31 December 2022 amounted to a net debt of €14.42 million, compared to a net financial position with net cash of €6.21 million at 31 December 2021. The adoption of the IFRS 16 accounting standard meant the recognition by Group companies of financial liabilities for rights of use at 31 December 2022 equal to €4.72 million (€2.26 million at 31 December 2021).

Similar to 31 December 2021, the company is complying with all covenants existing at 31 December 2022.

The following table shows the reconciliation between the statement of financial position for liabilities arising from financing activities and the cash flow statement (IAS 7).

(€'000)	at January 1, 2022	Cash flows	Business combinations	Fair value changes	Exchange differences	Other non monetary transactions	at December 31, 2022
Short and Medium-/long-term borrowing	25,672	6,786	-	-	(329)	(88)	32,041
Medium/long term borrowing allowed to affiliates companies and other Group companies	(62)	-	-	-	(4)	-	(66)
Other current financial assets	(123)	(1)	-	(15)	-	-	(139)
Derivative instruments	7	(5)	-	(211)	4	-	(205)
Total Liabilities arising from financing activities	**25,494**	**6,780**	**-**	**(226)**	**(329)**	**(88)**	**31,631**

(€'000)	at January 1, 2021	Cash flows	Business combinations	Fair value changes	Exchange differences	Other non monetary transactions	at December 31, 2021
Short and Medium-/long-term borrowing	32,775	(7,570)	-	-	(8)	475	25,672
Medium/long term borrowing allowed to affiliates companies and other Group companies	(57)	-	-	-	(5)	-	(62)
Other current financial assets	(125)	2	-	-	-	-	(123)
Derivative instruments	81	1	-	(75)	-	-	7
Total Liabilities arising from financing activities	**32,674**	**(7,567)**	**-**	**(75)**	**(13)**	**475**	**25,494**

12 – Shareholders' equity

The table below shows the breakdown of shareholders' equity at 31 December 2022 and 31 December 2021:

(€'000)	at December 31, 2022	at December 31, 2021
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**

The share capital at 31 December 2022 was made up of 35,515,784 ordinary shares, wholly subscribed and paid up, with no nominal value.

The balance of the Issuer's legal reserve at 31 December 2022 was €1,776 thousand.

The share premium reserve, which relates entirely to the Parent Company, is shown at a total amount of €136,400 thousand.

The "Other Reserves" item for -€38,764 thousand includes different types of reserves as indicated in the statement of changes of the shareholders' equity in addition to the result for the year. The various reserves that make up the aggregate item are commented below.

The positive translation reserve of €5,998 thousand is generated by inclusion in the consolidated financial statements of the statement of financial positions and income statements of US subsidiaries Eurotech Inc. and E-Tech USA Inc., as well and of UK subsidiary Eurotech Ltd. and Japanese subsidiary Advanet Inc.

The "Other reserves" item was negative by €49,878 thousand and consisted of the Parent Company's surplus reserve, formed by losses carried forward, allocations of retained earnings from prior years as well as other reserves of different origin. The change in the year is attributable to the allocation of 2021 results and the recognition of the Performance Share Plans as described in Explanatory Note 16.
The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IFRS 9, was positive for €205 thousand and increased by a positive value of €211 thousand.

The foreign exchange reserve in which – based on IAS 21 – foreign exchange differences relating to intra-group foreign-currency loans that constitute part of a net investment in foreign operations are recognised, was positive by €5,829 thousand. This reserve was increased by €1,755 thousand during the year.

The Parent Company Eurotech S.p.A. held 255,606 treasury shares at the end of the year (at the end of 2021 it held 89,920). The changes, as indicated in the following table, relate to the purchase of new own shares.

	No. of shares	Face value of a share (Thousand of Euro)	% share capital	Carrying value (Thousand of Euro)	Average unit value
Status as at 1 January 2022	**89,920**	**22**	**0.25%**	**211**	**2.35**
Purchases	165,686	41	0.47%	492	2.97
Sales	-	-	0.00%	-	
Assignment-Performance share Plan	-	-	0.00%	-	
Status as at 31 December 2022	**255,606**	**63**	**0.72%**	**703**	**2.75**

13 – Basic and diluted earnings (losses) per share

Basic earnings (losses) per share (EPS) are calculated by dividing the income of the year pertaining to ordinary shareholders of the Parent Company by the average weighted number of ordinary shares in circulation during the year, net of treasury shares.

No equity transactions were reported in the financial years 2021 and 2022 that diluted earnings per share.

The table below shows earnings for the period and information on the shares used to calculate basic and diluted EPS.

	at December 31, 2022	at December 31, 2021
Net income (loss) attributable to parent company shareholders	(1,546,000)	(10,408,000)
Weighted average number of ordinary shares including own shares	35,515,784	35,515,784
Own shares	(127,200)	(109,124)
Weighted average number of ordinary shares except own shares	35,388,584	35,406,660
Weighted average number of ordinary shares except own shares for share diluted	35,388,584	35,406,660
Net income (loss):		
- per share	**(0.044)**	**(0.294)**
- per share diluted	**(0.044)**	**(0.294)**

14 – Borrowings

The table below shows the breakdown of medium- to long-term financial payables at 31 December 2022:

TYPE (€'000)	COMPANY	BALANCE ON 31.12.2021	BALANCE ON 31.12.2022	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months	Long term Over 5 years
CURRENT OUTSTANDINGS - (a)		**92**	**4,086**	**4,086**	**-**	**-**	**-**
Lease liabilities		2,265	4,723	1,203	3,520	1,455	2,065
TOTAL OTHER FINANCINGS - (b)		**2,265**	**4,723**	**1,203**	**3,520**	**1,455**	**2,065**
Unsecured loans	Eurotech S.p.A.	19,520	16,727	6,275	10,452	9,626	826
Unsecured loans	Advanet Inc.	3,795	6,505	4,692	1,813	1,813	-
TOTAL BANK DEBT - (c)		**23,315**	**23,232**	**10,967**	**12,265**	**11,439**	**826**
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		**25,580**	**27,955**	**12,170**	**15,785**	**12,894**	**2,891**
TOTAL DEBT - [(a) + (b) + (c)]		**25,672**	**32,041**	**16,256**	**15,785**	**12,894**	**2,891**

Bank overdrafts

Bank overdrafts are not backed by unsecured or secured warranties and include uses with the technical form of "subject to collection" and non-recourse liquidations. The amount includes financial payables as reverse factor for €4,086 thousand (€92 thousand in 2021).

Other loans

Other loans refer to:

- a residual payable of €4,723 thousand (of which €3,520 thousand was medium-term) for leases accounted for in accordance with IRS 16. The amount related to the payable over five years amounted to €2,065 thousand. The change in the scope of consolidation resulted in a total increase of €3,693 thousand, of which €3,372 thousand was medium term, which includes the amount of €2,065 thousand over 5 years.

Bank loans

Bank loans refer mainly to:

- some loans granted between 2020 and 2022 to Advanet Inc. by two local banks for a total remaining amount of €6,505 thousand, fully payable within 12 months for €4,692 thousand, to boost the Japanese company's working capital;
- some loans granted to the Parent Company by various banks from 2019 to 2020 for a total remaining amount of €3,217 thousand (of which €499 thousand medium- to long-term) mainly to support the Group R&D investments or to boost the working capital of the Parent Company;
- some loans granted to the Parent Company by various banks in 2020, against the so-called "Cura Italia" loans for a total residual amount of €10,723 thousand (of which €7,296 thousand medium- to long-

term) guaranteed by the Government or by SACE to support the investments and to boost the working capital of the Parent Company;
- a loan granted to the Parent Company by a bank in 2022, against the "Sostegno Italia" loans for a total residual amount of €1,997 thousand (of which €1,897 thousand medium- to long-term) guaranteed by the Government or by SACE to boost the working capital of the Parent Company;
- a FRIE loan granted to the Parent Company in 2022, of which only an advance payment of €790 thousand was made (of which €760 thousand is medium-long term and includes the amount of €526 thousand over 5 years) to support the liquidity used for the purchase of the building of the registered office.

In order to manage interest rate risk, unsecured loans were entered into on a fixed-rate basis or were fully or partially covered by IRS.
At 31 December 2022, there is only one unsecured loan subject to economic/financial covenants on the consolidated values to be applied as from the 2023 financial statements.
All the covenants were honoured at 31 December 2022.
All bank loans out are denominated in euro apart from the loans granted to the Japanese subsidiary, which are in Japanese yen.

15 – Employee benefits

The table below shows the breakdown of employee benefits at 31 December 2022 and 31 December 2021:

(€'000)	at December 31, 2022	at December 31, 2021
Employees' leaving indemnity	321	380
Foreing Employees' leaving indemnity	2,183	2,464
Employees' retirement fund	-	-
TOTAL EMPLOYEES' BENEFITS	**2,504**	**2,844**

Defined-benefit plans

The Group has defined-benefit pension plans both in Italy and Japan, and these require contributions to a separately managed fund.
As a result, the expected return of the assets servicing the defined-benefit plan was not booked to the income statement. The interest on the net liabilities of the defined-benefit plan (not including the plan assets) was, however, booked to the income statement. Interest is calculated using the discount rate used to measure the net assets or liabilities of the pension plan.
In addition, the past service cost (not vested) can no longer be deferred to the future vesting period. All past service costs are instead recognised in the income statement at the date of the plan's amendment, or at the date of recognition of the related restructuring costs, or cessation of the employment relationship, whichever is earlier.

The table below shows the breakdown of defined-benefit plans at 31 December 2022 and 31 December 2021:

	Defined benefit plans			
	Italy		Japan	
(€ '000)	at December 31, 2022	at December 31, 2021	at December 31, 2022	at December 31, 2021
Liabilities at start of period	**380**	**392**	**2,464**	**2,436**
Curtailment effect	-	-	-	-
Cost relating to present service	6	13	227	245
Past Service cost	-	-	-	-
Finance expense	10	3	9	9
Other changes	10	-	(184)	(73)
Benefits paid out	(21)	(6)	(154)	(164)
Actuarial loss (gain) reconised	(64)	(22)	(179)	11
Liabilities at end of period	**321**	**380**	**2,183**	**2,464**

The defined-benefit plans in force in Italy refer exclusively to employee severance indemnity accrued prior to 1 January 2007 and retained in the company; the related liability is valued on the basis of actuarial techniques. Pension plans in Japan are also considered as such and following the business combination the company valued the relative liability pursuant to IAS 19.

Also, pursuant to the Italian "2007 Budget Law", employee severance indemnity accrued as of 1 January 2007 or as of the option date to exercise by the employees are included in the category of defined-benefit plans, both in the event of option for supplementary retirement and option for allocation to the treasury fund at INPS. The accounting treatment of employee severance indemnities is now similar to that used for other types of pension scheme contributions.

The key assumptions used in determining the current value of defined-benefit plans are described below:

Actuarial assumption	Defined benefit plans			
	Italy		Japan	
	at December 31, 2022	at December 31, 2021	at December 31, 2022	at December 31, 2021
Discount Rate	3.18%	1.27%	0.40%	0.40%
Expected rates of future wages and salary increases	3.00%	3.00%	1.00%	1.00%
Expected rates of staff turnover	2.66%	2.62%	1.00%	1.00%
Duration	16	17	19	19

The following table summarises the change in the current value of defined-benefit plans at the end of the period.

	Defined benefit plans			
	Italy		Japan	
(€ '000)	at December 31, 2022	at December 31, 2021	at December 31, 2022	at December 31, 2021
Projected benefit obligation at January 1,	**380**	**392**	**2,464**	**2,436**
Current Service cost	6	13	227	245
Past Service cost	-	-	-	-
Interest cost	10	3	9	9
Other changes	10	-	(184)	(73)
Pensions paid	(21)	(6)	(154)	(164)
Recognized actuarial gains or losses	(64)	(22)	(179)	11
Projected benefit obligation at December 31	**321**	**380**	**2,183**	**2,464**

The following is the reconciliation of the current value of the obligation and the liability booked and the summary of the cost components recorded in the income statement.

	Defined benefit plans			
	Italy		Japan	
(€ '000)	at December 31, 2022	at December 31, 2021	at December 31, 2022	at December 31, 2021
Projected benefit obligation	**321**	**380**	**2,183**	**2,464**
Other changes	10	-	-	-
Provisions for pensions charged to balance sheet	**331**	**380**	**2,183**	**2,464**
Current Service cost	6	13	227	245
Past Service cost	-	-	-	-
Interest cost	10	3	9	9
Recognized actuarial gains or losses	(64)	(22)	(179)	11
Costs charged to income statement	**(48)**	**(6)**	**57**	**265**

Employees' retirement fund

The employees' retirement fund referred to the charge that the subsidiary Eurotech France S.A.S. corresponded to employees if they are still employed by the subsidiary when they reach retirement age. As a result of the reduction in personnel in the French subsidiary and the definition of the amounts to be paid, the fund was already used during 2021.With adoption of IFRS, the indemnity falls into the category of other long-term benefits to employees to be booked according to IAS 19.

The table below shows the breakdown of the employees' retirement fund at 31 December 2022 and 31 December 2021:

(€'000)	at December 31, 2022	at December 31, 2021
JANUARY 1,	**-**	**90**
Provision	-	-
Other	-	-
Utilization	-	(90)
RESERVE AT THE END OF THE PERIOD	**-**	**-**

In 2022, the Group also earmarked no less than 0.16% of Eurotech Spa's annual turnover, equal to 0.04% of the Group's turnover, to a plafond dedicated to employee welfare in the amount of no less than Euro 39 thousand.

16 – Share-based payments

"EUROTECH S.p.A. Performance Share Plan 2016" (hereinafter "PSP 2016")
The plan approved by the company's Shareholders' Meeting on 22 April 2016, which was fully disclosed in the report at 31 December 2021, completed its effects in 2021 through the allocation of 200,600 shares and with a negative effect for the year of €35 thousand.

"EUROTECH S.p.A. Performance Share Plan 2021-2023" (hereinafter "PSP 2021")
On 11 June 2021, the Shareholders' Meeting of the Company approved adoption of an incentive plan solely for individuals who have a directorship position and/or an employment contract and/or a freelance collaboration or consultancy agreement with Eurotech S.p.A. or one of its subsidiaries and who have key functions in the Group organisation chart; the plan is called "EUROTECH S.p.A. Performance Share Plan 2021-2023".
The PSP 2021 provides that the beneficiaries identified by the Company's Board of Directors be assigned the right (known as Unit) to receive Eurotech S.p.A. shares free of charge (up to a maximum of 500,000 ordinary shares) provided that the Performance Objectives have been achieved on the respective Assignment Date and that the Relationship with the Company or with one of the Subsidiaries has been constant. The Objectives defined annually by the Board of Directors must be:

a) up to two objectives must be linked to the economic-financial performance of the Group in the medium-long term;
b) an objective must be linked to the trend of the market price of the Shares in the medium-long term (Total Shareholder Return).

The assigned Units are subject to a Vesting period of 3 (three) years during which the assigned Units may not vest, except in the case of termination in the event of Good Leaver (for example: dismissed by the company not for just cause, death, the Beneficiary's retirement and loss of the condition of Subsidiary by the employer company of the Beneficiary). Subsequently, a portion equal to 20% of the vested shares will be subject to a lock-up period of 2 (two) years.
With reference to the first cycle of the plan in which 440,142 units were allocated in 2021, the time period considered concerns the years 2021-2023 and the objectives identified (with target levels other than minimum and maximum) independent from each other are:

i the sum of the Group's consolidated EBIT;
ii the consolidated turnover of the Group at the end of the 2023 financial year;
iii the performance of the Total Shareholder Return of the Eurotech Shares compared to the Total Shareholder Return of the shares of the companies belonging to the FTSE Italia STAR index.

The first two objectives are "non-market based" components (with a weight of 60% of the total rights assigned) while the third objective is a "market base" component (with a weight of 40% of the total rights assigned) linked the measurement of Eurotech performance in terms of TST with reference to the FTSE Italia STAR index.

With reference to the second cycle of the plan in which 454,612 units were allocated in 2022, the time period considered concerns the years 2022-2024 and the objectives identified (with target levels other than minimum and maximum) independent from each other are:

i the sum of the Group's consolidated EBITDA over the 3 years;
ii the consolidated turnover of the Group at the end of the 2024 financial year;
iii the performance of the Total Shareholder Return of the Eurotech Shares compared to the Total Shareholder Return of the shares of the companies belonging to the FTSE Italia STAR index.

The first two objectives are "non-market based" components (with a weight of 60% of the total rights assigned) while the third objective is a "market base" component (with a weight of 40% of the total rights assigned) linked the measurement of Eurotech performance in terms of TST with reference to the FTSE Italia STAR index.

During 2022, 454,612 units relating to the second cycle were allocated and 12,214 units relating to the first cycle were cancelled due to beneficiaries who lost their allocation rights.

	Year 2022			Year 2021		
	No. Units granted	Value of the assign units (€'000)	Value of the units for the period (€'000)	No. Units granted	Value of the assign units (€'000)	Value of the units for the period (€'000)
Perfornance Share Plan 2021						
Nr. Unit at the begining of the period	440,142	2,065	39	-	-	-
Nr. Unit Granted during period	454,612	1,441	196	440,142	2,065	147
Nr. Unit Cancelled during period	(12,214)	(57)	(4)	-	-	-
Nr. Unit assigned during period	-	-	-	-	-	-
Nr. Unit Outstanding at the end of the period	882,540	3,449	231	440,142	2,065	147

At the reporting date the company had recorded a cost of €231 thousand in the income statement, whose contra entry was recognised in shareholders' equity. From the beginning of the plan it has been recognised in the income statement and amounts to €378 thousand.
The overall fair value at the 31 of December 2022 of the first and second cycle of the Plan, determined on the assignment date by the Board (grant date of the first cycle) and revised (as regards the first cycle) due to changes in non-market conditions was equal to €975 thousand.

"EUROTECH S.p.A. 2022 Incentive Plan" (hereinafter referred to as "PPS 2022")
On 28 April 2022, the Shareholders' Meeting of the Company approved adoption of an incentive plan solely for individuals who have a directorship and/or an employment relationship with Eurotech S.p.A. or one of its Subsidiaries; the plan is called "EUROTECH S.p.A. 2022 Incentive Plan".
The PSP 2022 provides that the beneficiaries identified by the Company's Board of Directors be assigned the right (known as Unit) to receive Eurotech S.p.A. shares free of charge provided that on the Assignment Date they maintain a relationship with the Company or one of its Subsidiaries. The Units assigned are subject to a retention period lasting 3 (three) years starting from the respective Assignment Date; during the Retention Period, the assigned Units cannot accrue unless the contract is terminated as a good leaver (for example: dismissed by the company not for just cause, death, the Beneficiary's retirement and loss of the condition of Subsidiary by the employer company of the Beneficiary). Subsequently, a portion equal to 20% of the vested shares will be subject to a lock-up period of 1 (one) year.

During 2022, 57,000 units were allocated. At the reporting date the company had recorded a cost of €30 thousand in the income statement, whose contra entry was recognised in shareholders' equity.

	Year 2022		
	No. Units granted	Value of the assign units (€'000)	Value of the units for the period (€'000)
Perfornance Share Plan 2022			
Nr. Unit at the begining of the period	-	-	-
Nr. Unit Granted during period	57,000	173	30
Nr. Unit Cancelled during period	-	-	-
Nr. Unit assigned during period	-	-	-
Nr. Unit Outstanding at the end of the period	57,000	173	30

17 – Provisions for risks and charges

The table below shows the breakdown of the provisions for risks and charges at 31 December 2022 and 31 December 2021:

(€'000)	at December 31, 2022	at December 31, 2021
Selling agents' commission fund	27	27
Director termination fund	-	55
Guarantee reserve	388	365
Busting depreciable asset	504	486
Risk reserves	80	544
Fondo rischi generici	-	-
TOTAL FUNDS FOR COSTS AND FUTURE RISKS	**999**	**1,477**

Selling agents' commission fund

The "selling agents' commission fund" is allocated based on the amounts envisaged by legislation and collective economic agreements regarding situations of interruption in the mandate given to agents. The effect of discounting the share of liabilities that will be liquidated beyond the next year is not expected to be significant.

Directors' termination fund

The "directors' termination fund" for 2021 only refers to the indemnity recognised for directors with powers set out in by the Bylaws of the Company or its subsidiaries. In 2022, the residual portion of the indemnity due to the former Chief Executive Officer of the Parent Company following his early departure was paid.

Guarantee reserve

The "guarantee reserve" is allocated based on the expectations of the charge to incur for non-fulfilment of the warranty commitment on products sold at year-end.

Asset disposal reserve

The "asset disposal reserve" was allocated in response to an obligation for future costs that a number of Japanese, German and English companies of the Group will incur in future years for the disposal, demolition, disassembly, and removal of a number of assets, and improvements to leased property, at the end of their useful lives or of the lease contract. The increase for 2021, refers to the obligation which arose on a leased property.

Other risks reserves

The "other risks reserve" is allocated on the basis of expected costs to be incurred for risks related to tax issues or legal dispute not yet settled. During the year, the provision was increased by €31 thousand to cover potential risks.
The use derives from the indemnities paid to certain employees leaving individual companies for €477 thousands.

The table below shows the changes in the reserve for risks and charges in the years under review:

(€'000)	at December 31, 2022	at December 31, 2021
JANUARY 1,	27	76
Provision	0	1
Utilization	-	(50)
RESERVE AT THE END OF THE PERIOD	**27**	**27**

(€'000)	at December 31, 2022	at December 31, 2021
JANUARY 1,	55	75
Provision	2	102
Other	(4)	(2)
Utilization	(53)	(120)
Discounting back / Actuarial value	-	-
RESERVE AT THE END OF THE PERIOD	**-**	**55**

(€'000)	at December 31, 2022	at December 31, 2021
JANUARY 1,	365	370
Provision	15	-
Other	4	(16)
Utilization	(23)	11
Area variation	27	-
RESERVE AT THE END OF THE PERIOD	**388**	**365**

The other changes item for 2022 includes both the increase in the provision due to the change in the scope of consolidation of €27 thousand and the increase in the provision due to exchange rate adjustments of €4 thousand

(€'000)	at December 31, 2022	at December 31, 2021
JANUARY 1,	486	402
Provision	-	84
Other	(32)	-
Area variation	50	-
RESERVE AT THE END OF THE PERIOD	**504**	**486**

The other changes item for 2022 includes both the increase in the provision due to the change in the scope of consolidation of €50 thousand and the decrease in the provision due to exchange rate adjustments of €32 thousand

(€'000)	at December 31, 2022	at December 31, 2021
JANUARY 1,	544	419
Provision	31	509
Other	(18)	2
Utilization	(477)	(386)
RESERVE AT THE END OF THE PERIOD	**80**	**544**

18 – Trade payables

The table below shows the composition of trade payables at 31 December 2022 and 31 December 2021:

(€'000)	at December 31, 2022	at December 31, 2021
Third parties	19,663	12,518
Related companies	117	487
TOTAL TRADE PAYABLES	**19,780**	**13,005**

Trade payables at 31 December 2022 came to €19,780 thousand, increasing by €6,775 thousand compared to 31 December 2021. Trade payables are non-interest bearing and, on average, are settled 90-120 days after invoice date.

19 – Other current liabilities

The table below shows the breakdown of other current liabilities at 31 December 2022 and 31 December 2021:

(€'000)	at December 31, 2022	at December 31, 2021
Social contributions	748	844
Other	5,118	4,688
Advances from customers	460	526
Grants advances	692	651
Other tax liabilities	534	523
Gross amount owed to customer for contractual work	-	-
Accrued expanses	1,058	961
TOTAL OTHER CURRENT LIABILITIES	**8,610**	**8,193**

Social security payables

Social security payables refer to amounts due for social security contributions accrued and pertaining to the year.

Advances for contributions

Advances for contributions refer to prepayments made upon requests for contributions that were already accounted for and to be accounted for.

Other payables

The table below shows the breakdown of other payables at 31 December 2022 and 31 December 2021:

(€'000)	at December 31, 2022	at December 31, 2021
Employees	1,976	1,277
Vacation pay	1,130	1,195
Directors	714	994
Statutory auditors	326	261
Other	972	961
TOTAL OTHER PAYABLES	**5,118**	**4,688**

Amounts payable to employees refer to salaries and wages for the month of December 2022 and payable in the following month, as well as bonuses awarded to some categories of employees. Liabilities for holidays and leaves of absence refer to holidays and leaves accrued and not used by employees at the reporting dates. These recent payables include related contributions.

Accrued expenses and deferred income

The "accrued expenses and deferred income" item refers to the suspension of revenues that will have an economic recognition in future years. In particular, some revenues from services relating to the IoT business line will be recognised in 2023.

20 – Warranties

The Eurotech Group had potential liabilities at 31 December 2022 deriving from sureties of €6 thousand granted by a number of credit institutions to Group companies.

I – Breakdown of key income statement items

For a note on trends in income statement items, and more specifically, on the basis of IFRS 15 relating to the different revenue disaggregation, please refer to the consolidated management report at 31 December 2022.

21 – Costs of raw and auxiliary materials and consumables

(€'000)	FY 2022	FY 2021
Purchases of raw materials, semi-finished and finished products	58,018	33,147
Changes in inventories of raw materials	(4,527)	(503)
Change in inventories of semi-finished and finished products	(1,620)	1,026
TOTAL COST OF MATERIALS	**51,871**	**33,670**

The costs of raw and auxiliary materials and consumables shows an increase in the price of some intensively used components, but also affected by write-downs on inventory.

22 – Other operating costs

(€'000)	FY 2022	FY 2021
Service costs	14,657	13,623
- of which non recurrent costs	*913*	*1,357*
Rent and leases	823	386
Payroll	23,453	20,721
- of which non recurrent costs	*-*	*488*
Accruals and other costs	901	1,384
- of which non recurrent costs	*-*	*577*
Cost adjustments for in-house generation of non-current assets	(3,491)	(3,305)
Operating costs net of cost adjustments	**36,343**	**32,809**

In 2022, the Group earmarked no less than 0.06% of Eurotech Spa's annual turnover, equal to 0.02% of the Group's turnover, for activities in support of the national and international community amounting to no less than Euro 15 thousand.

23 – Service costs

(€'000)	FY 2022	FY 2021
Industrial services	4,907	4,579
Commercial services	1,996	1,817
General and administrative costs	7,754	7,227
Total costs of services	**14,657**	**13,623**

During the periods under review, service costs increased by €1,034 thousand, of which approximately €0.5 million was for personnel recruitment costs in addition to the amount that was paid annually on average. Administrative services include €913 thousand for 2022 due to non-recurring costs related to the acquisition of the subsidiary InoNet Computer GmbH. In 2021, non-recurring costs (which are entirely related to administrative services) amounted to €1,357 thousand.
The growth of industrial services is related to industrial and product development activities to support the business.

24 – Payroll costs

(€'000)	FY 2022	FY 2021
Wages, salaries and Social Security contributions	22,293	19,655
Employees' leaving entitlement and other personnel provisions	553	541
Other costs	607	525
Total personnel expenses	**23,453**	**20,721**

In the period under review, payroll costs increased by €2,732 thousand, of which €1,545 thousand was due to the change in the scope of consolidation and the remaining amount was due to the increase in average employee salaries.

The impact of accounting for the pro-rata temporis portion of the relative cost of the Performance Share Plans commented on in Explanatory Note 16 was €261 thousand compared to €182 thousand in 2021.

As shown in the table below, the exact number of Group employees increased at the end of the periods under review, from 324 in 2021 to 398 in 2022. The change in the scope of consolidation resulted in the addition of 70 employees and thus the net increase compared to 2021 was 4 employees.

25 – Other provisions and costs

(€'000)	FY 2022	FY 2021
Doubful debt provision	259	74
Other Provisions	2	572
Other costs	640	738
Total accruals and other costs	**901**	**1,384**

The amounts in the “doubtful debt provision” item refer to provisions made to the respective reserve to represent receivables at their realisable value.
In 2022, losses on receivables stood at €6 thousand, while no losses were recognised in the previous year.
In 2021, the "Provisions" item included for €488 thousand to the costs arising from corporate reorganisation.

26 – Other revenues

Grants mainly relate to the recognition of benefits for the hiring of new employees
Other revenues relate mainly to refunds and releases of surplus funds, as was the case in 2021.

27 – Cost adjustments for internally generated non-current assets

At 31 December 2022, cost adjustments for internally generated non-current assets (equal to €3,491 thousand) is related to the cost incurred internally for the development of new circuit boards for a high-performance, low-consumption processor (€705 thousand); the cost incurred by the Parent Company and subsidiary Eurotech Inc. for new Cloud platform products (€2,496 thousand); the costs pertaining to other new development projects (€290 thousand).
Total adjustments for internally generated non-current assets comprise €1,423 thousand in payroll costs (2021: €1,470 thousand), €2,008 thousand in service costs (2021: €1,487 thousand) and €60 thousand in materials costs (2021: €348 thousand).

28 – Depreciation, amortisation and write-downs

(€'000)	FY 2022	FY 2021
Amortisation of intangile assets	3,685	2,745
Amortisation of property, plant and equipment	1,828	1,829
Write-down of fixed assets	-	266
Total amortisation and depreciation	**5,513**	**4,840**

Amortisation of intangible assets relates mainly to development costs and, to a lesser extent, the software licenses.
Depreciation of property, plant and equipment includes €551 thousand for the portion pertaining to the period relating to assets owned. The remaining €1,277 thousand relate to the depreciation due to the use of certain capital goods (€1,245 thousand related to 2021).

The write-downs refer only to 2021 and concerned adjustments made to adjust the value of a building subsequently sold at realisable value, write-downs of development costs whose results were no longer usable and write-downs of fixed assets with rights of use.

29 – Financial income and charges

€'000	FY 2022	FY 2021
Exchange-rate losses	2,117	806
Interest expenses	272	306
Interest expenses on lease liabilities	56	44
Expenses on derivatives	15	55
Other finance expenses	149	84
Financial charges	**2,609**	**1,295**
Exchange-rate gains	2,613	885
Interest income	9	1
Other finance income	25	10
Financial incomes	**2,647**	**896**

The trend of financial management is annually affected by the exchange rate management that in the financial year 2022 had a net positive effect of €496 thousand (2021: positive effect of €79 thousand). Exchange rate performance is influenced by the booking of realised and unrealised gains and losses on the main foreign currents in which the Group operates (USD, GBP and JPY). The unrealised exchange difference amounted to a negative value of -€193 thousand.
The interest expense was up due to more use of lines of credit.
Income from the management of interest income and other financial income is higher due to income from cash and financial management.

30 – Valuation and management of equity investments

Management of equity investments

In 2021, the write-down of a minority interest in a Business Network had an economic effect of €3 thousand.

31 – Income taxes for the year

Income taxes were negative for €2,335 thousand in 2022, while they were also negative for €2,419 thousand in 2021.

(€'000)	FY 2022	FY 2021
Pre-tax result	789	(7,989)
Income taxes	(2,335)	(2,419)
Income taxes as a percentage of profit before taxes (effective tax rate)	**295.9%**	**-30.3%**

The table below shows the breakdown in income taxes, distinguishing current taxes from deferred tax assets and liabilities and taxes related to Italian legislation from foreign taxes of Group companies:

(€'000)	FY 2022	FY 2021
IRES (Italian corporate income tax)	1	1,014
IRAP (Italian Regional business tax)	6	88
Foreign current income taxes	2,326	101
Total current income tax	**2,333**	**1,203**
Net (prepaid) deferred taxes: Italy	461	776
Net (prepaid) deferred taxes: Non-italian	(459)	402
Net (prepaid) deferred taxes	**2**	**1,178**
Previous years taxes	-	38
Previous years taxes	**-**	**38**
TOTAL INCOME TAXES	**2,335**	**2,419**

Taxes at 31 December 2022 represented a cost for a total of €2,335 thousand (of which €2,333 thousand for current taxes and €2 thousand for net deferred tax liabilities), compared to total negative tax assets of €2,419 thousand at 31 December 2021 (of which €1,203 thousand for current taxes and €1,178 thousand for net deferred tax liabilities), recording a change of €84 thousand.
The IRES item amounted to €1 thousand.
In 2022, as already happened in 2021, no new deferred tax credits were recognised as regards the tax losses, which therefore remained recorded only partially and which are believed to be used in future years based on the results of the most up-to-date business plan.

The Group incurred tax and ACE losses in the past years, and for some companies in 2022 - arising from the Parent Company and the subsidiaries EthLab S.r.l., I.P.S. Sistemi Programmabili S.r.l., Eurotech France SA and Eurotech Ltd., against which no deferred tax assets, for a total of €45.0 million (2021: €41.8 million) were recognised - to be reported within the deadlines applicable in each country to offset future taxable profits of the companies in which these losses arise. No deferred tax assets were recognised in relation to these losses as the prerequisites for using them to offset taxable profits in a reasonable foreseeable period of time.

At 31 December 2022, there were no deferred tax liabilities, posted or unposted, for taxes on the undistributed earnings of some subsidiaries or affiliates because there are no assumptions regarding distribution.
The reconciliation of income taxes applicable to the Group's pre-tax profit, using the rate in force, with the effective rate for the year ended 31 December 2022, is as follows:

(Migliaia di Euro)		FY 2022	FY 2021
Pre-tax result		**789**	**(7,989)**
Theoretical income tax rate	**24%**		**24%**
Theoretical corporate income tax		**189**	**(1,917)**
Effect of foreign rates		80	121
Impact of taxes relating to prior periods		-	(76)
Non-taxed income and non-deductible expenses		503	1,267
Interest deductible in future periods		-	-
Impact of tax losses		100	(280)
Impact of permanent differences and unrecognized temporary differences		454	339
Impact of temporary differences not recognized in previous years		-	-
Effect of change in tax rates		-	25
DTA not recognises		992	1,840
Allowance for Corporate Equity		-	-
R&D credit		98	5
Other current taxes		-	1,003
Local taxes trough profit or loss		**(81)**	**92**
Total income taxes through profit or loss		**2,335**	**2,419**
Current taxes		2,333	1,203
Total defferred taxes		2	1,178
		-	38

Deferred tax assets at 31 December 2022 amounted to €5,301 thousand (€6,504 thousand at 31 December 2021) while deferred tax liabilities amounted to €2,952 thousand (€3,200 thousand at 31 December 2021) and are detailed as follows:

(Migliaia di Euro)	Sundry impairment losses	Product warranty	Employees' leaving indemnity	Carry forward tax losses	R&D credit	Other tempory differences	Transfer of taxes	Total
at December 31, 2020	**543**	**62**	**834**	**3,057**	**1,071**	**2,356**	**(445)**	**7,478**
Changes in 2021								
-Business combination	-	-	-	-	-	-	-	-
- Through profit or loss	(77)	(6)	(17)	(277)	68	(225)	-	(534)
- Other changes	-	-	-	-	-	-	(585)	(585)
-Exchange rate differences	-	-	(24)	-	89	80	-	145
at December 31, 2021	**466**	**56**	**793**	**2,780**	**1,228**	**2,211**	**(1,030)**	**6,504**
Changes in 2022								
-Business combination	-	-	-	-	-	20	-	20
- Through profit or loss	49	(1)	(47)	-	(518)	(322)	-	(839)
- Other changes	-	-	-	-	-	-	(428)	(428)
-Exchange rate differences	-	-	(58)	-	77	25	-	44
at December 31, 2022	**515**	**55**	**688**	**2,780**	**787**	**1,934**	**(1,458)**	**5,301**

(Migliaia di Euro)	Business combination	R&D costs	Unrealised foreign exchange gains or losses	Other temporary differences	Transfer of taxes	Total
at December 31, 2020	**(2,869)**	**(372)**	**(312)**	**(58)**	**445**	**(3,166)**
Changes in 2021						
-Business combination	-	-	-	-	-	-
-Through profit or loss	-	(14)	(694)	-	-	(708)
- Other changes	-	-	-	-	585	-
-Exchange rate differences	86	(1)	-	4	-	89
at December 31, 2021	**(2,783)**	**(387)**	**(1,006)**	**(54)**	**1,030**	**(3,200)**
Changes in 2022						
-Business combination	-	-	-	(46)	-	(46)
-Through profit or loss	-	110	(427)	(8)	-	(325)
- Other changes	-	-	-	-	428	-
-Exchange rate differences	203	(12)	-	-	-	191
at December 31, 2022	**(2,580)**	**(289)**	**(1,433)**	**(108)**	**1,458**	**(2,952)**

J – Other information

32 – Related-party transactions

The consolidated financial statements include the financial statements of Eurotech S.p.A., its subsidiaries and its affiliates shown in the table below:

Name	Location	Currency	% of ownership 31.12.2022	% of ownership 31.12.2021
Subsidiaries				
Aurora S.r.l.	Italy	Euro	100.00%	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Italy	Euro	100.00%	100.00%
ETH Lab S.r.l.	Italy	Euro	100.00%	100.00%
Eurotech France S.A.S.	France	Euro	100.00%	100.00%
Eurotech Ltd.	UK	GBP	100.00%	100.00%
E-Tech Inc.	United States	USD	100.00%	100.00%
Eurotech Inc.	United States	USD	100.00%	100.00%
InoNet Computer GmbH	Germany	Euro	100.00%	-
Advanet Inc.	Japan	Yen	90.00% (1)	90.00% (1)
Affiliated companies				
Rotowi Technologies S.p.A. in liquidation (ex U.T.R.I. S.p.A.) (2)	Italy		21.32%	21.32%

(1) The percentage of formal possession is 90%, but due to the possession by Advanet of 10% of the share capital in the form of treasury shares, it is fully consolidated

(2) Company in liquidation

The following schedule shows related-party transactions (in the period in which they were related), not derecognised on consolidation.

RELATED PARTIES	Revenues to related parties	Interest to related parties	Purchases from related parties	Financial receivables to related parties	Receivables from related parties	Payables from related parties
Other related parties						
Bluenergy Assistance srl	7	-	-	-	7	-
Kairos Autonomi	-	1	-	70	-	-
Interlogica srl	0	-	452	-	1	117
Logibiotech Srl	1	-	-	-	-	-
Total	**8**	**1**	**452**	**70**	**8**	**117**
Total with related parties	**8**	**1**	**452**	**70**	**8**	**117**
% impact on line item	**0.0%**	**0.0%**	**0.7%**	**34.1%**	**0.0%**	**0.6%**

The following is information on equity investments held in the company and its subsidiaries by members of the management and supervisory bodies, general managers and managers with strategic responsibilities, as well as by their spouses not legally separated and their minor children, directly or via companies controlled, trustee companies or via an interposed third party, as shown by the shareholder register, notifications received and other information acquired from the members of the management and supervisory bodies, general managers, and strategically accountable managers in compliance with the requirements of Art. 79 of CONSOB Regulation no. 11971/99 as subsequently amended and Annex 3C of the same regulation.

		at December 31, 2022					
Name	Company	Possessory title	Share at January 1 or appointment	Share acquired in the period	Share disposed in the period	Share at the end of the period	of which shares at the end of the period indirectly
Mapelli Patrizio	Eurotech	-	-	-	-	-	-
Fumagalli Aldo	Eurotech		-	-	-	-	-
Chawla Paul	Eurotech	Ownership	74,250	51,900	-	126,150	-
Costaguta Marco	Eurotech	-	-	-	-	-	-
Mio Chiara	Eurotech	-	-	-	-	-	-
Marti Antongiulio	Eurotech	-	-	-	-	-	-
Curti Susanna	Eurotech	-	-	-	-	-	-
Filippini Mariagrazia	Eurotech	-	-	-	-	-	-
Rovizzi Laura	Eurotech	-	-	-	-	-	-
Monti Fabio	Eurotech	-	-	-	-	-	-
Savi Daniela	Eurotech	-	-	-	-	-	-
Monterisi Pietro	Eurotech	-	-	-	-	-	-
	Eurotech	Ownership	41,000	-	-	41,000	-

33 – Financial risk management: objectives and criteria

The Group's financial instruments, other than derivative contracts, include bank loans in the various technical forms, financial leases, short-term and at-sight bank deposits. These instruments are intended to finance Group operations. The Group has several other receivable and payable financial instruments at its disposal, such as trade receivables and payables arising from operations and liquidity. The Group had also transactions in derivatives, mainly swap or collar transactions on interest rates. The objective is to manage interest rate risks caused by Group transactions and by its sources of finance.

In accordance with Group policies, no speculative derivatives have been entered into.

The main risks generated by Group financial instruments are interest rate risks, exchange risks, liquidity risks and credit risks. The Board of Directors has reviewed and agreed to the policies for managing these risks, as summarised below.

Interest rate risk

The Group's exposure to the risk of interest rate fluctuations mainly involves medium-term obligations taken on by the Group, featuring variable interest rates linked to various indices. In previous years, the Group signed interest rate swap contracts providing for recognition of a variable rate against payment of a fixed rate. The contracts are designated to hedge changes in the interest rates in place on some loans. Group policy is to maintain between 30% and 60% of its loans at a fixed rate. At 31 December 2022, approximately 25.1% of the Group's loans were at fixed rates (in 2021, the percentage was around 35.1%). As for the loan in place at the Japanese company, it was taken up at fixed rate since it is more advantageous than those at variable rate.

Exchange rate risk

In view of the significant investment transactions in the US, Japan and the UK, with substantial foreign currency cash flows from business and financial operations, the Group's financial statements could be significantly affected by changes in the USD/EUR, JP¥/EUR and GBP/EUR exchange rates. During the year, no foreign exchange hedges were executed because of the uneven USD, GBP and JP¥ flows, particularly taking into account that the individual subsidiaries tend to operate in their respective functional currencies in their respective core markets.

About 76.3% of sales of goods and services (2021: 75.8%) and 61.1% (2020: 62.4%) of the cost of goods purchases and the operating costs of the Group are denominated in a different currency from the functional currency used by the Parent Company to draw up these Consolidated Financial Statements.

Product and component price risk

Group exposure to price risk is not significant.

Credit risk

The Group trades only with known and reliable customers. The Group's policy is to check the creditworthiness grade of customers that request extended payment arrangements. In addition, the balance of receivables is monitored during the year so that the amount of non-performing positions is not significant. The maximum exposure to risk is shown in Explanatory Note 6. Only some receivables of the main customers are insured.
Financial assets, recorded by trading date, are recognised in the financial statements net of write-downs calculated according to the risk of counterparty default, taking into account the information available on the customer's level of solvency and historical data.
With regard to the significant concentration of credit risk in the Group, there have been situations in the last 3 years where the largest customer generated more than 15% of the Group's revenues. More specifically, in 2022 a single Group customer generated approximately 30.0% of the Group's turnover.

Credit risk concerning other Group financial assets, which include cash and cash equivalents and financial instruments, presents a maximum risk equal to the book value of these assets in the event of insolvency of the counterparty.
The recent international events related to the spread of the COVID-19 virus have increased the risk of insolvency, especially with reference to smaller companies. Since there has been an increase in the supply of products and services to international customers in recent years may curb said risk under extreme conditions.

Liquidity risk
The objective of the Group is to strike a balance between maintenance of funds and flexibility through the use of overdrafts, loans, as well as via equity financing in the market.
Group policy states that no more than 40% of loans must fall due within 12 months.
At 31 December 2022, 55.1% of Group financial payables will accrue within one year (2021: 29.8%), based on the balances of the original plans.
Considering the current net financial position and the structure of working capital, the risk that the Group will be unable to honour its financial liabilities is limited. The Company systematically controls liquidity risk by analysing a specific reporting system and the economic environment; the uncertainties that are a periodic feature of the financial markets require a particular focus on liquidity risk management. With this in mind, initiatives have been taken to generate financial resources with business operations and to maintain an adequate level of available liquidity, to ensure a normal level of operations and to respond to the strategic decisions of the next few years. The Group therefore plans to respond to the requirements of payables falling due and planned investments via flows from business operations, available cash and, as necessary, via bank loans and other forms of funding.

€ '000	Less 12 months	1 to 2 yeears	3 to 5 years	> 5 years	Total
Borrowings	15,053	5,839	5,600	826	27,318
Trade payables and other liabilities	28,390	-	-	-	28,390
Contratti per beni in leasing	1,203	471	984	2,065	4,723
Business combination liabilities	900	-	-	-	900
Total as of December 31, 2022	**45,546**	**6,310**	**6,584**	**2,891**	**61,331**

Capital management
The aim of Group capital management is to ensure that adequate levels of the capital indicators are maintained in order to sustain the business and achieve maximum value for shareholders.
The Group manages the capital structure and modifies it according to changes in economic conditions. Group policy does not currently include the distribution of dividends. To maintain or upgrade the capital structure, the Group may reimburse capital or issue new securities.
No change was made to the objectives, policies, or procedures during the years 2021 and 2022.
The Group will periodically verify its capital using a debt/capital ratio, i.e. the ratio of net debt to total equity plus net debt. Currently, given the decidedly unstable global financial situation, it is not easy to obtain financing from lending institutions, although the parameters set by management policy remain valid.
Group policies should aim to maintain the debt/capital ratio at between 20% and 40%. Group net debt includes interest-bearing loans and payables for equity investments, net of cash and cash equivalents. Capital includes the capital attributable to Parent Company shareholders, net of undistributed net profits.

(€'000)	at December 31, 2022	at December 31, 2021
Other current and non current financial assets	(205)	(185)
Derivative instruments	(205)	7
Borrowing	32,041	25,672
Cash & cash equivalents	(18,110)	(31,704)
Net financial position	**13,521**	**(6,210)**
Group Equity	106,515	110,436
Group Equity	**106,515**	**110,436**
EQUITY AND NET FINANCIAL POSITION	**120,036**	**104,226**
Net financial position on Equity	**12.7%**	**-5.6%**

34 – Financial Instruments

Measurement of fair value and relative hierarchical valuation levels

All financial instruments recognised at fair value are classified within the following three categories:
Level 1: market price
Level 2: valuation techniques (based on observable market data)
Level 3: valuation techniques (not based on observable market data).

The fair value of derivatives and of loans obtained has been calculated by discounting expected cash flows to present value applying prevailing interest rates. The fair value of the other financial assets was calculated by using market interest rates. As IFRS 13 requires, for each of the financial assets and liabilities the company analysed the effect of their measurement at fair value. The measurement process refers to Level 3 of the fair value hierarchy, except for trading in derivatives as described in greater detail hereunder, and revealed no considerable differences compared to the book values at 31 December 2022 and on the respective comparison figures.

At 31 December 2022, the Group held the following financial instruments measured at fair value:

(€'000)	Notional value at December 31, 2022	Fair value at December 31, 2022 (debit)	Fair value at December 31, 2022 (credit)	Notional value at December 31, 2021	Fair value at December 31, 2021 (debit)	Fair value at December 31, 2021 (credit)
Cash flow hedge						
Contracts Interest Rate Swap (IRS)	4,023	205	0	6,398	0	(7)

It should be noted that all assets and liabilities that are measured at fair value at 31 December 2022 are classified in hierarchical level 2 of fair value measurement. In addition, during 2022 there were no transfers from Level 1 to Level 2 or Level 3, or vice versa.

Financial instruments by category

As required by IFRS 7, the financial instruments are listed by category below:

at December 31, 2022

(€'000)	Financial assets at fair value through profit or loss	Financial assets at fair value through equity	Financial assets and receivables carried at amortized cost	Total	(€'000)	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through equity	financial liabilities carried at amortized cost	Total
Asstes as per balance sheet					**Liabilities as per balance sheet**				
Derivative financial instruments		205		**205**					
Trade and other receivables exluding pre-payments	-	-	19,906	**19,906**	Borrowings (excluding finance lease liabilities	-	-	27,318	**27,318**
Investments in other companies	549	-	6,876	**7,425**	Finance lease liabilities	-	-	4,723	**4,723**
Other current financial assets	35	-	104	**139**	Derivative financial instruments		-	-	**-**
Cash & cash equivalents	-	-	18,110	**18,110**	Trade and other payables exluding non-financial liabilities	-	-	19,780	**19,780**
Total	**584**	**205**	**44,996**	**45,785**	**Total**	**-**	**-**	**51,821**	**51,821**

at December 31, 2021

(€'000)	Financial assets at fair value through profit or loss	Financial assets at fair value through equity	Financial assets and receivables carried at amortized cost	Total	(€'000)	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through equity	financial liabilities carried at amortized cost	Total
Asstes as per balance sheet					**Liabilities as per balance sheet**				
Derivative financial instruments		4		**4**					
Trade and other receivables exluding pre-payments	-	-	11,280	**11,280**	Borrowings (excluding finance lease liabilities	-	-	23,407	**23,407**
Investments in other companies	542	-	-	**542**	Finance lease liabilities	-	-	2,265	**2,265**
Other current financial assets	35	-	88	**123**	Derivative financial instruments		11	-	**11**
Cash & cash equivalents	-	-	31,704	**31,704**	Trade and other payables exluding non-financial liabilities	-	-	13,005	**13,005**
Total	**577**	**4**	**43,072**	**43,653**	**Total**	**-**	**11**	**38,677**	**38,688**

The fair value of the financial assets and liabilities does not significantly differ from the book values.

Interest rate risk

Interest on financial instruments classified as variable-rate instruments is recalculated periodically during the financial year. Interest on financial instruments classified as fixed-rate instruments is kept constant until the maturity date of the instruments concerned.

Hedging

Cash flow hedges

At 31 December 2022, the Group held six IRS contracts (of a notional contractual value of €11.0 million) of which two were signed during the year; all six contracts are designated as interest rate risk hedging instruments.

	Due date	Fixed rate	Floating rate	Market value (€'000)
Interest rate swap contracts				
Euro 312.500,00	31 March 2023	0.01%	Euribor 3 months	2
Euro 1.835.385,79	31 July 2025	-0.20%	Euribor 3 months	85
Euro 1.875.000,00	30 September 2026	-0.14%	Euribor 3 months	118
TOTAL				**205**

Interest rate swap contract conditions were negotiated to coincide with the conditions of the underlying commitments.

The accounting treatment of these financial instruments entailed an increase in shareholders' equity of €212 thousand and decreased the cash flow hedge reserve as a direct reduction of shareholders' equity to €105 thousand.

35 – Non-recurring costs and revenues

In 2022, the Parent Company incurred costs is related to the acquisition of the subsidiary InoNet Computer GmbH, which it identified as non-recurring in relation to ordinary operations and which it disclosed separately in the financial statements as well as in the note to the specific income statement item, exclusively related to service costs.
Also in 2021, the Group had incurred costs that it considered to be non-recurring, compared to ordinary operations. In particular, the total value of non-recurring costs was €2.48 million and mainly related to the economic agreement resulting from the termination of the relationship between Eurotech S.p.A. and the previous CEO, finalised on 23 March 2021, as well as of some costs for reorganising the workforce and for some company facilities, incurred and to be incurred at Group level, in an amount that was less than the costs associated with the new CEO's appointment.

(€'000)	FY 2022
Service costs	913
Payroll	-
Accruals and other costs	-
Write-down of fixed assets	-
Non-recurrent costs	**913**

36 – Potential liabilities

There are no significant potential liabilities to report except for what is stated in Explanatory Note 20.

37 – Information requested on the basis of Italian law no. 124/2017

With reference to the requirements under Italian law no. 124/2017, Art. 125, the grants received by the companies governed by Italian law only that belong to the Group are presented on the basis of the "cash method":

	at December 31, 2022		
COMPANY	**LENDING INSTITUTION**	**PROJECT DESCRIPTION**	**RECEIVED AMOUNT**
Eurotech S.p.A.:			
	European social fund	National framework regime on State aid - COVID 19 (Articles 54-61 of the Recovery Decree as amended by art. 62 of Decree Law 104/2020)	10
	GSE	Photovoltaic system	1
	Others residual		-
Advanet:			
	Others residual		7
RECEIVED GRANTS			**18**

(€)	Service provider	Eurotech Group entity	2022 fees
Audit			
	PricewaterhouseCoopers S.p.A.	Parent company - Eurotech S.p.A.	147,259
	Network PricewaterhouseCoopers	Subsidiaries	150,523
Other services			
	TLS Associazione Professionale di Avvocati e Commercialisti	Parent company - Eurotech S.p.A.	15,600
	Network PriceWaterhouseCoopers (1)	Parent company - Eurotech S.p.A.	99,000
TOTAL			**412,382**

(1) Agreed upon procedures

38 – Events after the reporting period

The US subsidiary Eurotech Inc. in March was involved in the events that affected Silicon Valley Bank ('SVB') in the US, first finding its accounts blocked and then on 14 March 2023 transferred to the new 'bridge' bank called Silicon Valley Bridge Bank. The cash previously deposited with SVB and then transferred to the new Silicon Valley Bridge Bank amounted to USD 8.3 million. At the date of approval of this report, the account was fully operational again and transactions for the use of this liquidity had been carried out without any critical issues arising. This is a testament to the effectiveness of the guarantees announced by the Federal Reserve and the US Administration regarding the stability of the system, and promptly implemented through the role of the Federal Deposit Insurance Corporation (FDIC).

No further significant events took place after the closing of the Consolidated Financial Statements at 31 December 2022.

Amaro, 15 March 2023

On behalf of the Board of Directors
The Chief Executive Officer
Mr. Paul Chawla

Annex I – Information provided pursuant to Art. 149-duodecies of the CONSOB Issuers' Regulation

The table below has been prepared in accordance with Art. 149-*duodecies* of the CONSOB Issuers' Regulation and shows the amounts paid in 2022 for the auditing services.

(€)	Service provider	Eurotech Group entity	2022 fees
Audit			
	PricewaterhouseCoopers S.p.A.	Parent company - Eurotech S.p.A.	147,259
	Network PricewaterhouseCoopers	Subsidiaries	150,523
Other services			
	TLS Associazione Professionale di Avvocati e Commercialisti	Parent company - Eurotech S.p.A.	15,600
	Network PriceWaterhouseCoopers (1)	Parent company - Eurotech S.p.A.	99,000
TOTAL			**412,382**

(1) Agreed upon procedures

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Certification of the Consolidated Financial Statements pursuant to Art. 154-bis of Italian Legislative Decree of 24 February 1998, no. 58

Amaro, 15 March 2023

1. We the undersigned, Paul Chawla, in the capacity as Chief Executive Officer, and Sandro Barazza, in the capacity as Financial Reporting Manager of Eurotech S.p.A., hereby attest, pursuant to Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998, to:
   - the adequacy in relation to the characteristics of the company and
   - the actual implementation of administrative and accounting procedures for the drafting of the financial statements during the financial year 2022.

2. The assessment of the adequacy of the administrative and accounting procedures for the drafting of the Consolidated Financial Statements at 31 December 2022 is based on a model defined by Eurotech in line with the CoSO framework (document in the CoSO Report) and also takes into account the document "Internal Control over Financial Reporting – Guidance for Smaller Public Companies", both prepared by the Committee of Sponsoring Organizations of the Treadway Commission that represent a generally accepted reference framework on the international level.

3. We furthermore attest that:
   3.1 the Consolidated Financial Statements at 31 December 2022:
      - were prepared in compliance with the international accounting standards recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, dated 19 July 2002;
      - correspond to the results in the corporate books and accounting records;
      - provide a fair and true representation of the assets, liabilities, financial position and profit or loss of the Issuer and of all its consolidated companies.

   3.2 The management report includes a fair review of the development and performance of the business and the situation of Eurotech as the Issuer and of all its consolidated companies, together with a description of the principal risks and uncertainties that they face.

Chief Executive Officer
Paul Chawla

Financial Reporting Manager
Sandro Barazza

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Eurotech SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Eurotech Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended and explanatory notes to financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Eurotech SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valuation of the recoverability of goodwill and intangible assets with indefinite useful life *Note H - 1 "Intangible assets" of the consolidated financial statements of the Eurotech Group as of 31 December 2022* The Eurotech Group recorded in the annual consolidated financial statements as of 31 December 2022 goodwill totaling Euro 75,771 thousand and trademarks with indefinite useful life totaling Euro 7,529 thousand (together representing 46% of total consolidated assets). The assessment of any impairment loss on the assets recorded in the consolidated financial statements ("impairment test") is performed by the Group, according to IAS 36 "Impairment of assets", at least annually. The recoverable amount of goodwill and trademarks with indefinite useful life has been assessed considering the value in use calculated as the present value of the future cash flows of any cash generating unit ("CGU"). The CGU identified at Group level are the legal entities or group of legal entities operating in the United States, in Great Britain, Japan and Germany. The cash flows applied derive from the 2023-2027 operating and financial plan approved by the Board of Directors of Eurotech SpA on 7 March 2023. We focused on this area as the determination of the recoverable value of these assets implied a high degree of evaluation and professional judgement with reference to several factors, including the forecast of the Group's future results of operations and, accordingly, the estimation of the expected cash flows, as well as the discount rate of the cash flows applied.	We obtained the impairment tests and the documentation used by the management to determine the recoverable value in compliance with IAS 36 "Impairment of assets" and the policy adopted by the Group and we performed, also with the support of experts belonging to the PwC network, the following audit procedures: • understanding and evaluation of the method adopted by the management to determine the value in use of the cash generating units (CGU) where goodwill and intangible assets with indefinite useful life have been allocated; • examination of the cash flow projections as per the 2023-2027 operating and financial plan, by means of interviews with the Company management in order to understand the planned business strategies and by performing a critical analysis of the basic assumptions; • review of the consistency between the evaluation method adopted and the standard evaluation procedures; • verification of the mathematical accuracy of the calculation model; • check of the reasonableness of the main assessment parameters used (discount rate, perpetuity growth rate); • sensitivity analysis on the relevant parameters of the calculation model above; • examination of the correct evaluation of the capital invested in each CGU, to which the intangible assets with an indefinite useful life have been allocated, used for the comparison with the recoverable value; • evaluation of the adequacy and completeness of the disclosure provided in the explanatory notes to the consolidated financial statements.

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Valuation of the conditions for recognizing and maintaining development costs capitalized within assets

Note H – 1 "Intangible assets" of the consolidated financial statements of the Eurotech Group as of 31 December 2022

The Eurotech Group's strategy is based on the research and development of new technological and application solutions able to give a competitive advantage to its customers. This implies that the Group allocates considerable financial resources to the research and development of such solutions. As of 31 December 2022, development costs capitalized in the consolidated financial statements, either within development costs or within intangible assets under development and advances, amounted to Euro 9,046 thousand (representing 5% of the total consolidated assets).
We focused on this matter because the recognition and maintenance of capitalized development costs entailed a high degree of evaluation and professional judgement with particular reference to future cash flows deriving from the estimated sales of products linked to the development activity.

We obtained the supporting documents relating to the recognition of the development costs incurred among the balance sheet assets and we carried out the following audit procedures:

- check, on a sample basis, that the capitalization of such cots within the consolidated balance-sheet assets complied with the requirements of IAS 38 "Intangible Assets" ;
- interviews with the Company management and analysis of the documents available to evaluate the technical feasibility and marketability of the products related to the development activities in line with the sales forecasts derived from the operating and financial plan for 2023-2027 and with any orders already acquired;
- examination of the amortization criteria and of the expected useful life of such costs;
- evaluation of the adequacy and completeness of the disclosure provided in the explanatory notes to the consolidated financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Parent Company Eurotech SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 24 April 2014, the shareholders of Eurotech SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2014 to 31 December 2022.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Eurotech SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements as of 31 December 2022, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements as of 31 December 2022 have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Eurotech SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Eurotech Group as of 31 December 2022, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Eurotech Group as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.
In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Eurotech Group as of 31 December 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Udine, 3 April 2023

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago
(Partner)

As disclosed by the Directors on page 2, the accompanying consolidated financial statements of Eurotech S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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