press release

eurotech
UNLEASHING THE POWER OF THE EDGE

EUROTECH: CONSOLIDATED INTERIM MANAGEMENT REPORT AS AT 30 SEPTEMBER 2023 APPROVED BY THE BOD

The nine months show revenues in line with the previous year on a like-for-like basis and up due to the contribution of InoNet, a first margin improved by 250bps YoY, and adjusted EBITDA more than doubled. Net working capital and net financial position improved compared to figures as of June 30, 2023.

Amaro (Italy), 14 November 2023

- Consolidated revenues of € 70.0 million (€ 59.8 million as at 30.09.2022, +45.6% at constant exchange rates)
- Consolidated gross profit of € 33.1 million and 47.3% of revenues (€ 26.8 million and 44.8% of revenues as at 30.09.2022)
- Consolidated EBITDA of € 3.8 million (€ 0.5 million as at 30.09.2022)
- Consolidated EBIT of € -0.5 million (€ -3.2 million as at 30.09.2022)
- Group net income of € -1.2 million (€ -3.7 million as at 30.09.2022)
- Net debt of € 18,03 million (€ 14.42 million as at 31.12.2022)

The Board of Directors of Eurotech S.p.A. today examined and approved the consolidated results as at 30 September 2023.

Trend of the period

On a like-for-like basis, revenues for the nine months of 2023 were in line with those for the nine months of the previous year. The distribution of revenues among the first three quarters was significantly different this year than last year, as the first two quarters of 2022 had been negatively impacted by the electronic component shortage phenomenon, which had led to a buildup of outstanding orders, most of which were then delivered during the third quarter. In contrast, the third quarter of this year was impacted by the phenomenon of destocking, a common phenomenon in our industry and related to three factors: 1. gradual normalization of the availability of electronic components, which is allowing over-accumulated inventories to be reduced; 2. rising interest rates that make inventory cost more and urge a reduction in immobilized values; and 3. uncertainty about the global scenario, which leads companies to be more conservative in releasing orders beyond what is strictly necessary.

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Including the contribution of InoNet, which entered the scope of consolidation in September 2022, revenues for the nine months show an increase of 17.0% at historical exchange rates, which becomes 21.9% at constant exchange rates.

The Edge AIoT business continues to play a decisive role in the growth outlook as envisioned by the company's new strategic direction: on a like-for-like basis, the Edge AIoT business showed significant organic growth of 86% over the nine months of 2022; including the contribution of InoNet, the overall year-on-year revenue growth in Edge AIoT rises to over 200%.

Difficulties in sourcing electronic components have drastically decreased from a year ago, and remain only for some very specific and niche type of components in use in our products in Japan. The improved scenario, together with actions taken to counter the effects of the component shortage, resulted in a 250bps improvement in the first margin over the nine months of 2022.

In the first few months of the year we witnessed a reduction in the delivery time of the components themselves, which, for some items, were made available well in advance of the initial scheduled delivery, which had the effect of temporarily accumulating stock in the inventory. This phenomenon had a negative impact on net working capital and, consequently, on the net financial position at the end of June. The figure at the end of September shows a reversal of the trend, with an initial improvement in both the value of working capital and the net financial position.

Economic performance of the Eurotech Group

At **equal perimeter**, **revenues** in the nine months of 2023 were €56 million as well as in the nine months of 2022, considering constant exchange rates. Including InoNet's contribution, total revenues were €70.01 million compared to €59.82 million in the nine months of 2022. The 17% increase at historical exchange rates would correspond to a 21.9% increase at constant exchange rates.

With reference to the breakdown of revenues by location of the Group's activities, Europe has become the most significant area and recorded a 42.8% contribution to the Group's revenues (in the nine months of 2022 it was 21.7%); the U.S. area is in second place and contributed 31.6% of total revenues (in the nine months of 2022 it was 44.3%); in third place is the

Japanese area, which recorded a 25.6% contribution to the total figure (in the nine months of 2022 it was 34.1%).

The U.S. area suffered a decline in traditional Embedded business related to the destocking phenomenon. The European area achieved organic growth driven by the Edge AIoT business and also benefited from the effect of the consolidation of InoNet. The Japanese region, on the other hand, experienced a decline partly due to the effect of destocking and partly due to the different distribution of orders from its main local customers in the different quarters of the year.

The **first margin** for the period was 47.3% of sales, up sharply from a margin of 44.8% in the first nine months of 2022. Compared with the first six months of the year, the margin improvement was 70 bps, thanks to a margin in the third quarter at 48.8%. The improvement in the first margin was mainly the result of actions to stabilize purchasing costs and the almost complete disappearance of price anomalies on low availability components, which had led to significant Purchase Price Variations (PPV) in 2022, which had a dilutive effect on the first margin.

Operating costs before adjustments made and net of nonrecurring costs (by the way, only accounted for in 2022) amounted to €31.95 million in the first nine months of 2023, compared to €27.48 million in the first nine months of 2022. The increase is mainly due to costs resulting from InoNet's different contribution to the consolidation, which was one month in the three-month period as of September 30, 2022 and the full nine months for 2023. At historical exchange rates, this shows a total increase of 16.3%, which net of InoNet's higher costs comes to only 1.3%.

EBITDA amounted to €3.80 million (5.4% of revenues), compared to €0.49 million in the nine months of 2022 (0.8% of revenues). Taking into account non-recurring costs in 2022 alone, adjusted EBITDA in the first nine months of 2022 amounted to €1.41 million (2.4% of revenues).

EBIT, or operating income for the period, was € -0.51 million (-0.7% of revenues), compared to €-3.17 million for the nine months of 2022 (-5.3% of revenues). Taking into account nonrecurring costs in 2022 alone, adjusted EBIT for the first nine months of 2022 amounted to € -2.25 million (-3.8% of revenues).

In terms of **Group net income**, the figure for the first nine months was €-1.23 million (-1.8% of revenues), while it was €-3.74 million in the same period of 2022 (-6.3% of revenues).

Balance sheet and financial situation of the Eurotech Group

As of September 30, 2023, the Group had **net financial debt** of €18.03 million, compared to an amount of €14.42 million as of December 31, 2022. The change in the net financial position resulted from both the use of cash to support the increase in working capital in the amount of €2.54 million and the repayment of loans.

Net working capital amounted to 22.49 million euros as of September 30, 2023, compared to €19.94 million as of December 31, 2022. The growth in working capital is related to both the dynamics of collections and payments and the trend in inventories needed to generate fourth quarter sales.

It should be noted, however, that the values of both net working capital and net financial debt are improving from the values recorded at the end of June. The ratio of net working capital to pro forma sales for the last 12 rolling months stands at 21.5%.

Group shareholders' equity amounts to €99.1 million (€106.5 million as of December 31, 2022).

Foreseeable evolution of operations

In the last quarter of the year, the transformation journey in the strategic direction set out towards the Edge AIoT will go on.

We will continue to monitor the scenario and external events that could affect our business: not only the destocking phenomenon, but also geopolitical tensions in different regions of the world and the evolution of the conflict in the Middle East.

As far as can be foreseen to date, the fourth quarter will be stronger than the third, in line with the typical trend historically recorded.

Initiatives to manage and keep procurement costs under control are having the desired effects, and the indicators that management monitors suggest that the first margin as a percentage of

revenues will maintain values close to those recorded for the nine months in the final quarter as well.

In accordance with the fulfillment of backlog orders, a gradual consumption of the extra stocks of components accumulated during the shortage is also expected, resulting in a reduction in the value of the inventory of about €3 million at constant exchange rates, which will benefit both working capital and the net financial position.

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The Manager in charge of drawing up the corporate accounting documents, Sandro Barazza, hereby certifies, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the documented results, books and accounting records of the company.

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Eurotech

Eurotech (ETH:IM) is a multinational company that designs, develops and delivers Edge Computers and Internet of Things (IoT) solutions complete with services, software and hardware to system integrators and enterprises. By adopting Eurotech's solutions, customers have access to components and software platforms for IoT, Edge Gateways to enable asset monitoring, and high-performance Edge Computer for applications including Artificial Intelligence (Edge AI). To offer more and more complete solutions Eurotech has activated partnerships with leading companies in their field of action, thus creating a global ecosystem that allows it to create "best in class" solutions for the Industrial Internet of Things. More information: www.eurotech.com

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ANNEXES - ACCOUNTING SCHEDULES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€ '000)	9M 2023 (b)	%	9M 2022 (a)	*of which non recurrent*	%	change (b-a) amount	change (b-a) %
Sales revenue	70,007	100.0%	59,825		100.0%	10,182	17.0%
Cost of material	(36,922)	-52.7%	(33,032)		-55.2%	3,890	11.8%
Gross profit	**33,085**	**47.3%**	**26,793**		**44.8%**	**6,292**	**23.5%**
Services costs	(11,009)	-15.7%	(11,081)	(920)	-18.5%	(72)	-0.6%
Lease & hire costs	(599)	-0.9%	(624)		-1.0%	(25)	-4.0%
Payroll costs	(19,461)	-27.8%	(16,183)		-27.1%	3,278	20.3%
Other provisions and costs	(880)	-1.3%	(515)		-0.9%	365	70.9%
Other revenues	2,663	3.8%	2,097		3.5%	566	27.0%
EBITDA	**3,799**	**5.4%**	**487**	**(920)**	**0.8%**	**3,312**	**n.s.**
Depreciation & Amortization	(4,307)	-6.2%	(3,660)		-6.1%	647	17.7%
EBIT	**(508)**	**-0.7%**	**(3,173)**	**(920)**	**-5.3%**	**2,665**	**84.0%**
Finance expense	(2,145)	-3.1%	(2,297)		-3.8%	(152)	-6.6%
Finance income	2,490	3.6%	2,108		3.5%	382	18.1%
Profit before tax	**(163)**	**-0.2%**	**(3,362)**	**(920)**	**-5.6%**	**3,199**	**95.2%**
Income tax	(1,068)	-1.5%	(380)		-0.6%	688	181.1%
Net profit (loss) of continuing operations before minority interest	**(1,231)**	**-1.8%**	**(3,742)**	**(920)**	**-6.3%**	**2,511**	**67.1%**
Minority interest	**-**	**0.0%**	**-**		**0.0%**	**-**	**n/a**
Group net profit (loss) for period	**(1,231)**	**-1.8%**	**(3,742)**	**(920)**	**-6.3%**	**2,511**	**67.1%**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at September 30, 2023	at December 31, 2022
Intangible assets	89,301	93,620
Property, Plant and equipment	6,828	7,425
Investments in affiliate companies	4	-
Investments in other companies	550	549
Deferred tax assets	5,715	5,301
Medium/long term borrowing allowed to affiliates companies and other companies	-	66
Other non-current assets	494	552
Total non-current assets	**102,892**	**107,513**
Inventories	26,447	26,854
Contracts in progress	2,506	-
Trade receivables	13,315	19,906
Income tax receivables	1,976	749
Other current assets	4,830	2,274
Other current financial assets	143	139
Derivative instruments	148	205
Cash & cash equivalents	12,416	18,110
Total current assets	**61,781**	**68,237**
Total assets	**164,673**	**175,750**
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Reserves	(44,936)	(37,218)
Share premium reserve	136,400	136,400
Net profit (loss) for period	(1,231)	(1,546)
Group shareholders' equity	**99,112**	**106,515**
Equity attributable to minority interest	**-**	**-**
Total shareholders' equity	**99,112**	**106,515**
Medium-/long-term borrowing	15,110	15,785
Employee benefit obligations	2,339	2,504
Deferred tax liabilities	4,983	2,952
Other non-current liabilities	920	999
Business combination liabilities	900	900
Total non-current liabilities	**24,252**	**23,140**
Trade payables	14,974	19,780
Trade payables from affiliates companies	82	-
Short-term borrowing	14,724	16,256
Income tax liabilities	1,591	1,449
Other current liabilities	9,938	8,610
Total current liabilities	**41,309**	**46,095**
Total liabilities	**65,561**	**69,235**
Total liabilities and equity	**164,673**	**175,750**

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€'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, 2022		**8,879**	**1,776**	**136,400**	**5,998**	**(49,878)**	**205**	**(445)**	**5,829**	**(703)**	**(1,546)**	**106,515**	**-**	**106,515**
2022 Result allocation		-	-	-	-	(1,546)	-	-	-	-	1,546	-	-	-
Profit (loss) as at September 30, 2023		-	-	-	-	-	-	-	-	-	(1,231)	(1,231)	-	(1,231)
Comprehensive other profit (loss):														
- Hedge transactions		-	-	-	-		(57)	-	-	-	-	(57)	-	(57)
- Actuarial gains/(losses) on defined benefit plans for employees		-	-	-	-	(41)	-	-	-	41	-	-	-	-
- Foreign balance sheets conversion difference		-	-	-	(5,804)	-			-	-	-	(5,804)	-	(5,804)
- Exchange differences on equity investments in foreign companies		-	-	-	-		-	-	(655)	-	-	(655)	-	(655)
Total Comprehensive result		**-**	**-**	**-**	**(5,804)**	**(41)**	**(57)**	**-**	**(655)**	**41**	**(1,231)**	**(7,747)**	**-**	**(7,747)**
- Performance Share Plan		-	-	-	-	344	-	-	-	-	-	344	-	344
Balance as at September 30, 2023	**O**	**8,879**	**1,776**	**136,400**	**194**	**(51,121)**	**148**	**(445)**	**5,174**	**(662)**	**(1,231)**	**99,112**	**-**	**99,112**

CONDENSED CASH FLOW STATEMENT

(€'000)		at September 30, 2023	at September 30, 2022	at December 31, 2022
Cash flow generated (used) in operations	A	1,463	(6,041)	(1,608)
Cash flow generated (used) in investment activities	B	(4,357)	(11,278)	(13,396)
Cash flow generated (absorbed) by financial assets	C	(3,464)	(267)	1,605
Net foreign exchange difference	D	664	709	(195)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(5,694)	(16,877)	(13,594)
Opening amount in cash & cash equivalents		**18,110**	**31,704**	**31,704**
Cash & cash equivalents at end of period		**12,416**	**14,827**	**18,110**

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NET FINANCIAL POSITION

(€'000)		at September 30, 2023	at December 31, 2022	at September 30, 2022
Cash	A	12,416	18,110	14,827
Cash equivalents	B	-	-	-
Other current financial assets	C	291	344	335
Cash equivalent	**D=A+B+C**	**12,707**	**18,454**	**15,162**
Current financial debt	E	-	2,241	2,241
Current portion of non-current financial debt	F	14,724	14,015	13,115
Short-term financial position	**G=E+F**	**14,724**	**16,256**	**15,356**
Short-term net financial position	**H=G-D**	**2,017**	**(2,198)**	**194**
Non current financial debt	I	15,110	15,785	14,678
Debt instrument	J	-	-	-
Trade payables and other non-current payables	K	900	900	900
Medium-/long-term net financial position	**L=I+J+K**	**16,010**	**16,685**	**15,578**
(NET FINANCIAL POSITION) NET DEBT ESMA	**M=H+L**	**18,027**	**14,487**	**15,772**
Medium/long term borrowing allowed to affiliates companies and other Group companies	N	-	66	72
(NET FINANCIAL POSITION) NET DEBT	**O=M-N**	**18,027**	**14,421**	**15,700**

NET WORKING CAPITAL

(€'000)	at September 30, 2023 (b)	at December 31, 2022 (a)	at September 30, 2022	Changes (b-a)
Inventories	26,447	26,854	30,422	(407)
Contracts in progress	2,506	0	0	2,506
Trade receivables	13,315	19,906	16,178	(6,591)
Income tax receivables	1,976	749	751	1,227
Other current assets	4,830	2,274	1,595	2,556
Current assets	**49,074**	**49,783**	**48,946**	**(709)**
Trade payables	(14,974)	(19,780)	(21,693)	4,806
Income tax liabilities	(1,591)	(1,449)	(917)	(142)
Other current liabilities	(9,938)	(8,610)	(7,107)	(1,328)
Current liabilities	**(26,585)**	**(29,839)**	**(29,717)**	**3,254**
Net working capital	**22,489**	**19,944**	**19,229**	**2,545**

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