annual **report**

2023

AT 31 DECEMBER 2023

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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Share capital: €8,878,946 fully paid in
Tax code and
Udine Company Register No. 01791330309

CONTENTS

Letter to shareholders....5
Corporate information....8
Information for shareholders....9
Management report....10
Introduction....10
The Eurotech Group....10
Global conflicts....12
European Single Electronic Format (ESEF) requirements....13
Operating performance....14
Statement of financial position....24
Non-current assets....24
Current assets....25
Treasury shares of the Parent Company owned by the Parent Company or subsidiaries....29
Investments and research & development....29
Main risks and uncertainties to which the Group is exposed....30
Disclosure on the environment and personnel....34
Disclosure on sovereign exposure....35
Regulatory simplification process based on CONSOB resolution No. 18079/2012....35
Events after the reporting date....35
Report on corporate governance and ownership structure....35
Off-statement of financial position agreements....35
Subsidiaries created and regulated according to the law of countries outside the European Union....35
Competitive scenario, outlook and future growth strategy....36
Consolidated financial statements at 31 December 2023 prepared according to international accounting standards....37
Consolidated statement of financial position....37
Consolidated income statement....38
Consolidated statement of comprehensive income....39
Consolidated statement of changes in equity....40
Consolidated cash flow statement....41
Explanatory notes to financial statements....42
A – Corporate information....42
B – Reporting policies and IFRS compliance....42
C – Discretionary evaluations and relevant accounting estimates....44
D – Scope of consolidation....45
E – Accounting standards and policies....46
F — Business combinations....60
G – Segment reporting....62
H – Breakdown of key entries of the statement of financial position....64
1 – Intangible assets....64
2 – Property, plant and equipment....69
3 – Equity investments in affiliates and other companies....71
4 – Other non-current assets....73
5 – Inventories....73
6 – Trade receivables....74
7 – Tax receivables and payables....75
8 – Other current assets....75
9 – Cash and cash equivalents....76
10 – Other financial assets....76
11 – Net financial position....76
12 – Shareholders' equity....78
13 – Basic and diluted earnings (losses) per share....79
14 – Borrowings....80
15 – Employee benefits....82
16 – Share-based payments....84

17 – Provisions for risks and charges 86
18 – Trade payables 88
19 – Other current liabilities 89
20 – Warranties 90
I – Breakdown of key income statement items *90*
21 – Sales and service revenues 90
22 – Costs of raw and auxiliary materials and consumables 91
23 – Other operating costs 91
24 – Service costs 92
25 – Payroll costs 92
26 – Other provisions and costs 93
27 – Other revenues 93
28 – Cost adjustments for internally generated non-current assets 93
29 – Depreciation, amortisation and write-downs 94
30 – Financial income and charges 94
31 – Income taxes for the year 95
J – Other information *97*
32 – Related-party transactions 97
33 – Financial risk management: objectives and criteria 99
34 – Financial Instruments 102
35 – Non-recurring costs and revenues 105
36 – Potential liabilities 105
37 – Information requested on the basis of Italian law No. 124/2017 105
38 – Events after the reporting date 106
Annex I – Information provided pursuant to Art. 149-duodecies of the CONSOB Issuers' Regulation 107
Certification of the Consolidated Financial Statements pursuant to Art. 154-bis of Italian Legislative Decree of 24 February 1998, No. 58 108
Independent Auditor's report on the Consolidated Financial Statements 109

Letter to shareholders

Dear Shareholders,

another very interesting year has just concluded, during which Eurotech primarily focused on three key themes:

a) *implementing successive steps and the building blocks of our transformation strategy to become a more productized and scalable Edge AIoT company, progressively moving away from custom embedded business;*
b) *integrating and learning to work with our new family member, InoNet;*
c) *building and strengthening our partnerships in the ecosystem for our new go-to-market strategy;*

… while, of course, navigating through the market uncertainties related to the destocking phenomena and the global geopolitical tensions.

Starting with the strategy, 2023 was the second full-year of rolling out the building blocks and strategic enablers we defined in July 2021, so it is a good time to take the first stocktaking. Back then, 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.* Two years into our journey, notwithstanding many headwinds in the market our strategic direction holds true. Despite a flat year over year result on the top line, through 2023 we saw the proof point of the ongoing transformation: Edge AIoT share of revenues reaching 41%, beating the target of 35% set at the beginning of the year, and showing an organic growth of 20% year over year. If we include InoNet in the perimeter, growth in Edge AIoT is actually 79% YoY. I give high value to this achievement since this parameter is the first litmus test for our transformation journey.

Our competitive advantage stands as our integrated HW/SW offerings are differentiated and consistently recognized in the IoT landscape by industry analysts and partners. Eurotech is one of only a handful of companies able to deliver fully integrated edge hardware and edge software underpinned by world-class certified cybersecurity. Being open source is proving to be appreciated by customers learning the hard way how agnosticity can avoid expensive lock-ins by unique vendors. Our DNA in Operational Technology is an asset and proof is that big mass players with horizontal offerings are leaving the IoT arena. This exodus is due to a lack of intimacy with vertical markets specificities, and cloud-focused approaches that do not allow for the reach and fit of the proliferation found in the field. It opens the door for companies that can successfully implement IoT projects at the edge, a problem that our firmware offering solves.

In 2023 we closed various important contracts in IoT applications, but are still seeing that digital journeys aimed at creating new top-line revenue streams for our customers struggle to take off at forecasted volumes, whilst the ones created for enhancing internal productivity are doing better. We are satisfied with the progress made and keep going but at the same time we are not putting all our efforts uniquely into this domain: in 2023 we started two other initiatives aimed at gaining revenues that will hit markets with shorter time to market. This topic allows me to touch upon my second theme: InoNet integration.

InoNet has brought to the Eurotech family a business model that enables smart and fast configuration management for our customers, more semi-custom offerings that allow revenues within 3 to 9 months, and amongst these a wider portfolio of ADAS (Advanced Driver Assistance System) devices and Edge AI industrial computers. We have been able to grow more ADAS applications in DACH and, for the first time, are taking a combined and more complete portfolio of offerings globally in the automotive, truck and smart agriculture industry. Our customers use these devices for ingesting all relevant data from ADAS sensors during the development of their self-driving L2-L3-L4 algorithms and for validating and tuning vehicles' final pre-production algorithms. This market grows 10% annually globally and our pipeline has tripled in 2023.

Furthermore, the Industrial PC background knowledge of InoNet combined with our Edge SW and cybersecurity know-how have allowed us to accelerate with a third growth initiative in the Edge AI domain and be amongst first in the market with IEC 62443-2-2 cybersecurity certification also on Edge AI devices. We are now launching global go-to-market campaigns with the new differentiated offerings we developed through the second half of 2023.

Visual AI applications will grow over 20% in the next four years in the field of security, asset monitoring, end-of-line inspection and automatic optical inspection applications. As most of these applications are used for productivity improvements, or for driving a lower total cost of ownership for our customers, we stand confident that this Edge AI market is real, is now, and will grow faster than other digital applications.

To close the chapter on our "marriage with InoNet" I would like to thank our German team for a great first year, having delivered 15% growth on the top line, 520bps improvement on the GM% and 4 times higher EBITDA than the run-rate of 2022, when we acquired them.

Coming to our third main theme of 2023, I would like to recall that to fully play the game of Edge AIoT we had to build, from scratch, a channel play with hyperscalers, system integrators (IT & OT) and ISVs (Independent Software Vendors): this has a long lead time of tasks and activities that go from productization, to being validated and certified within the partners' ecosystems, to common marcom activities, to building external & internal sales/training collaterals. We made great progress on these activities in 2023, remembering that we were a company that for decades had been playing only directly with the OEMs (Original Equipment Manufacturers). These efforts are now bringing us huge potential and great reach to customers to which Eurotech would not have previously had access, but it demands persistence and consistency. A great example is the successful launch of our GreenEdge (a combined SW offering between AWS Greengrass & Eurotech ESF) on AWS Marketplace in December. It took almost one full year of focused effort by a cross-functional "tiger team" of Eurotech resources working with AWS, a type of investment that in 2024 we will replicate with another one or two selected partners.

Finally looking at 2023 in numbers: consolidated revenues were relatively flat YoY. The topline was impacted by the phenomenon of destocking: a common factor in our industry related to the adjustment of inventories over-accumulated through stockpiling during the component shortage. Difficulties in sourcing electronic components that were prevalent in 2022 largely disappeared, with only a few specific, niche components for our Japanese business remaining scarce. This improved situation, together with actions taken to counter the effects of the component shortage, contributed to a significant 240bps increase in the first margin. We continued to invest to build the right organisation to support the development of Edge AIoT business and to retain key talent. Notably, we successfully recruited domain specialists for our team, experts who were unavailable in 2022 due to the intense competition for tech talent following the Covid era. Consequently, the EBITDA performance remained in mid-single digit in 2023.

Looking forward shorter term, the onset of 2024 has been characterized by two recurring terms in the remarks of CEOs and analysts' reports: "softness" concerning customer demand and a "wait-and-see" approach referring to customers' investment behavior. We see that higher interest rates are hitting the real economy. Consumer discretionary spending has been contracting fast in recent months. Capital spending is on hold in most industrial segments, as well as in agriculture. Elections calling about half of the planet's population to elect new governments are not helping in accelerating corporate spending. We started this year with lower visibility compared to that at the beginning of 2023. This comes as a result of customers placing orders at the very last minute and only covering the needs of about one quarter. At the moment I'm writing this letter, we are seeing some signs of an increase in visibility, and I do believe that a more normal run rate of business should pick up in the second half of the year, especially in the domain of Edge AI applications.

In any case, for us 2024 will be a year of continued transformation towards our 2026 ambition: we will likely see Edge AIoT business surpassing 50% of total revenues, a key step since it will officially mark the change over our legacy custom embedded business. Running for cash the embedded business moved to a second phase in late 2023 as we also rightsized our opex in the USA to level set with some legacy business fading away and not replaced by design, whilst new Edge AIoT business ramps up. Advanet remains an exception in Japan where the embedded business still has a play with interesting margins given the local industrial environment.

Looking to the mid-term future, Edge AI is set to become increasingly important in the digital market within the next few years. The fusion of IoT and Edge AI will happen gradually, morphing into Edge AIoT. This mutual fertilization of the two technologies will bring increased benefits as IoT collects the data that Edge AI needs, and Edge AI extracts additional value from IoT data. Ultimately, this enables a higher return for customer's digital infrastructure investments. A significant portion of this evolution will happen on the Edge - where we play. It will drive the need for increased cybersecurity, simpler solutions to implement and deploy at scale, and the need to remote manage updates of operating systems, firmware and AI applications installed in the field. This is exactly what we are good at and what our transformation is preparing for.

The destination is clear, and so is the need to accelerate and catch back on some of the timing to market impacted by talent shortage. The entire Eurotech team is tackling this challenge with passion and dedication, buoyed by the early indicators of success that 2023 has revealed. I am also relying on your renewed commitment as investors while we navigate the sea of digital technologies to reach the harbor of being a relevant Edge AIoT player.

The journey goes on!

20 March 2024

signed
Paul Chawla
CEO

Corporate information

Board of Directors	
Chairman	Luca di Giacomo
Deputy Chairman	Aldo Fumagalli [1] [3]
Director	Paul Chawla
Director	Michela Costa [1] [2] [3] [4] [5]
Director	Marco Costaguta [1]
Director	Susanna Curti [1] [5]
Director	Alberta Gervasio [1]
Director	Simona Elena Pesce [1] [2] [3] [4] [5]
Director	Massimo Russo [1] [2] [4]

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 27 April 2023, and will remain in office until approval of the 2025 financial statements.

Board of Statutory Auditors	
Chairman	Fabio Monti
Statutory Auditor	Laura Briganti
Statutory Auditor	Daniela Savi
Alternate Auditor	Clara Carbone
Alternate Auditor	Daniele Englaro

The Board of Statutory Auditors currently in office was appointed by shareholders at the Annual General Meeting of 27 April 2023, and will remain in office until approval of the 2025 financial statements.

Independent Auditor	
	EY S.p.A.

The independent auditor was appointed for the period 2023-2031 by shareholders at the Annual General Meeting of 27 April 2023.

Corporate name and registered offices of the Parent Company	
	Eurotech S.p.A. Via Fratelli Solari 3/A 33020 Amaro (Udine), Italy Udine Company Register No. 01791330309

[1] Non-executive Directors.
[2] Independent Directors pursuant to the Corporate Governance Code issued by the Italian Corporate Governance Committee for Listed Companies.
[3] Member of the Control and Risks Committee
[4] Member of the Related-Party Transactions Committee
[5] Member of the Remuneration and Appointments Committee

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 2023

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	240,606
Stock market capitalisation (based on the share's average price in 2023)	€101 million
Stock market capitalisation (based on the share's average price in December 2023)	€88 million
Market capitalisation (based on reference price at 31 December 2023)	€88 million

Performance of Eurotech S.p.A. shares

Relative performance Eurotech S.p.A.
01.01.2023 – 31.12.2023

The line chart shows the share's performance based on daily reference prices

The candle chart shows the share's daily maximum and minimum prices

Management report

Introduction

The Eurotech Group's business and financial results for FY2023 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

Eurotech is a global company with a strong international focus, which generates sales on three continents. It is a Group that has operating offices in Europe, North America and Japan, led and coordinated by its headquarters in Italy.

Eurotech has a long tradition of 30 years in the design and implementation of embedded computers for special applications, where the ability of computers to withstand hostile environments and the need for continuous and uninterrupted operations are determinant variables. This is a market niche characterised by high value and low volumes that over the years has allowed the company to maintain a gross profit above the sector average.
Over 10 years ago, with a visionary intuition, Eurotech understood that the technological paradigm was changing and it pioneered an evolutionary path towards Edge Computing and Industrial IoT, with significant investments in software integrated with hardware, focusing on the open-source approach.
Today, the result of that vision and those investments is a technological positioning among the leaders in the reference market, confirmed both by the awards received and by the mentions in the reports of sector analysts, and by the fact that the growth of the Edge-AIoT business in 2023 compared to 2022 is 20% YoY and the revenue mix at the end of 2023 sees Edge-AIoT over 40% compared to 15% where we started in 2021.
The factors that characterise Eurotech in the Industrial IoT sector are the following:

- Eurotech technology resolves the conflict between Operational Technology (OT) and Information Technology (IT) at the Edge, thanks to integrated solutions that combine hardware and software; this conflict is unanimously recognised as the number one obstacle to the execution of IoT projects by companies;
- leveraging its DNA and knowledge of the protocols on the OT side, Eurotech implemented a Plug & Play connectivity to field assets, which speeds up implementation times and reduces costs;
- thanks to relations with the big players in the IT sector such as Microsoft, Amazon and Red Hat, Eurotech is able to provide certified connectivity to all major cloud platforms, reducing integration time and risks to almost zero in a typical IoT project where these platforms are used;
- Eurotech's connection and integration technology was conceived and implemented by adopting the best Cybersecurity solutions and is certified according to the most recent international standards (IEC 62443-4-1 AND IEC 62443-4-2).

Today, the Group's offering is modular, featuring different levels of hardware and software integration and it is structured as follows:

- embedded PCs in the form of boards and subsystems, which represent Eurotech's historical offering and are purely hardware products with only the integrated operating system;
- Industrial PC (IPC), which represent the main offering of InoNet Computer GmbH, the German subsidiary acquired in September 2022;
- Edge gateways, i.e. devices that enable communication between assets operating in the field and data platforms in the cloud, both public and private;
- Edge computers, i.e. rugged computing units located in the field, close to the assets and dedicated to local processing of the data they generate;
- Edge AI appliance, i.e. high-performance systems with integrated hardware and software to safely and remotely process AI algorithms directly in the field, eliminating unnecessary and costly data transfers to centralised servers;

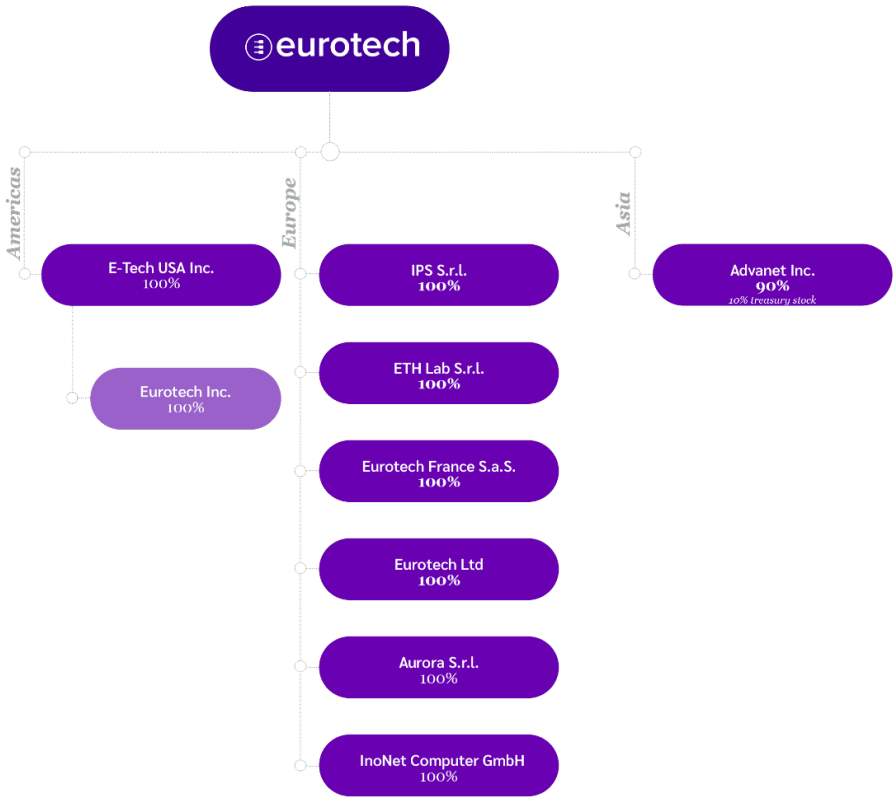
– software for the integration of Operational Technology and Information Technology: the "Everyware Software Framework" (ESF) edge framework on the OT side and the "Everyware Cloud" (EC) integration platform on the IT side.

The sectors in which the Group has historically developed most of its turnover are industry and transport, followed by the medical sector. More recently, the new offer of integrated hardware and software for industrial IoT applications has also made it possible to enter new sectors, such as energy. From a strategic point of view, the Group's current choice is to focus on four vertical markets combining larger size and higher growth rates in the future years: industrial automation, transport & offroad, medical, renewable energies & networks for energy-gas-water.

At 31 December 2023, the Eurotech Group consisted of the following companies:

Company name	Business activity	Share capital	Group share
Parent company			
Eurotech S.p.A.	It operates in the NanoPC segment focusing on the Edge Computer and "IoT" technology market, predominantly in the Italian and EMEA markets. In terms of organisation, it performs the role of industrial holding coordinating all subsidiaries of the Eurotech Group.	€8,878,946	
Subsidiaries and consolidated companies on a line-by-line basis			
Aurora S.r.l. in liquidation	Service company supporting the Parent Company	€10,000	100.00%
E-Tech USA Inc.	Holding company that controls 100% of Eurotech Inc.	$8,000,000	100.00%
EthLab S.r.l.	Company that provides services and performs research and development on behalf of the Group	€115,000	100.00%
Eurotech France S.A.S.	It operates in the French market, focusing on the IoT market in particular	€795,522	100.00%
Eurotech Inc.	It operates in the US market with a focus on the industrial, medical and transport sectors	$26,500,000	100.00%
Eurotech Ltd.	It operates mainly in the United Kingdom and in Northern Europe	£33,333	100.00%
I.P.S. Sistemi Programmabili S.r.l. in liquidation	The Company was placed in liquidation	€51,480	100.00%
InoNet Computer GmbH	It operates under the InoNet brand in the DATCH market, providing highly reliable, powerful and robust industrial PCs	€250,000	100.00%
Advanet Inc.	It operates in the Japanese market with a focus on the industrial, medical and transport sectors	¥72,440,000	90.00% (1)

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



Global conflicts

Russia-Ukraine conflict

More than two years after the outbreak of the conflict in Ukraine, the Eurotech Group continues to closely monitor 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 remain difficult to quantify, but can be summarised in the those resulting from interruptions or delays in the supply of some 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.

Israel-Palestine conflict

Over six months have elapsed since the outbreak of the Middle-East conflict between Israel and Palestine and in this period there have been no direct implications for the Group. This is attributable to the absence of trade relations in that specific geographical area, thus resulting in no direct exposure of trade receivables from that region.

As for the indirect effects resulting from the conflict, these are difficult to quantify and uncertain to determine, and there could be major impacts both in international trade relations and in supply chains passing through ports and straits geographically close to the conflict.

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 regulations in effect.

Operating performance

(€'000)		2023	%	2022*	%	% change
OPERATING RESULTS						
SALES REVENUES		93,756	100.0%	94,264	100.0%	-0.5%
GROSS PROFIT MARGIN	(*)	44,423	47.4%	42,393	45.0%	4.8%
EBITDA ADJ	(****)	5,531	5.9%	7,177	7.6%	-22.9%
Non recurring costs		(251)	-0.3%	(913)	-1.0%	72.5%
EBITDA	(**)	5,280	5.6%	6,264	6.6%	-15.7%
EBIT	(***)	(2,449)	-2.6%	652	0.7%	475.6%
PROFIT (LOSS) BEFORE TAXES		(1,662)	-1.8%	690	0.7%	340.9%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		(3,118)	-3.3%	(1,619)	-1.7%	-92.6%

(*) Restated, due to the final Purchase Price Allocation of InoNet. Effect on Income Statement is Euro 99 thousand at amortization level and Euro 26 thousand at taxes level

(*) **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** incorporates the EBITDA structure just defined above and isolates cost and/or revenue components considered non-recurring by management. 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 ADJ. 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.

Scenario

The difficulties in procuring electronic components decreased significantly in 2023 compared to the previous year, and primarily restricted to some very specific and niche component types used in our products in Japan. On the other hand, the second half of the year saw destocking, a common occurrence in our industry and linked to three factors: 1. progressive normalisation of the availability of electronic components, which is allowing over-accumulated inventories to be reduced; 2. rising interest rates, which are making inventory more expensive and prompting a reduction in fixed assets; 3. uncertainty about the global scenario, which is leading companies to be more conservative in releasing orders beyond what is strictly necessary.

Revenues
In 2023, consolidated turnover slightly decreased by 0.5% to €93.76 million compared to €94.26 million in 2022. At constant exchange rates, and thus neutralising the effect of the different currency conversion ratio in the two periods, an increase in turnover of 3.57% would have been recorded attributable entirely to the higher contribution of InoNet Computer GmbH in 2023 compared to 2022 when it had joined the Group in September 2022.
InoNet Computer GmbH, which was consolidated throughout the period, contributed 20.4% to the Group's turnover; in 2022, the German subsidiary was consolidated only from September to December and the contribution to total turnover was 5.5%.

Compared to 2022, the Traditional Embedded business suffered a reduction due to destocking mainly in the United States. On the other hand, the Edge AIoT business played a decisive role in the growth of turnover reaching 41,2% of the total, a value higher than the 35% target defined by management at the beginning of the year. Even excluding InoNet from the consolidation scope, the Edge AIoT business showed significant growth of 19,7% over 2022; including InoNet's contribution, the overall year-on-year turnover growth in Edge AIoT rises to over 79,3%.

With reference to the breakdown of turnover by location of operating activities, in the American region, sales decreased by 37.5% compared to the same period of the previous year; the Japanese region recorded a decrease of 5.4% at historical exchange rates, but at constant exchange rates would show a growth of 7.1%; finally, in Europe, total growth was 61.5%, with organic growth of 7.9% and growth through acquisitions linked to the consolidation of InoNet through 2023.

Gross Profit Margin
The gross profit margin for the year amounted to €44.42 million, accounting for 47.4% of turnover, compared to 45.0% last year and 46.7% in 2021. Net of the gross profit margin generated by InoNet, in 2023 the gross profit margin would have been 48.9%, which is over 300 bps higher than that generated in 2022. InoNet's gross profit margin also improved during 2023, going from 36,8% to 42% with a growth of 520 bps.

Operating costs
Operating costs before adjustments for internal increases and net of non-recurring costs amounted to €42.43 million (45.3% of revenues) compared to €38.92 million last year (41.3% of revenues). At constant exchange rates, the increase in costs amounted to €4.65 million, of which €4.38 million due to higher costs deriving from the effect of the different consolidation period of InoNet and €0.27 million for the increase mainly of payroll costs.
Total operating costs including non-recurring costs amounted to €42.68 million compared to €39.83 million in 2022. The increase is therefore 7.8%, while at constant exchange rates it stands at 10.3%.
In 2023, non-recurring costs amounted to €0.25 million and related entirely to payroll costs incurred in the United States for the reorganisation undertaken to implement a new phase of the "run-for-cash" of the legacy embedded business in the US based on the reduction of the operating structure related to this business. In 2022, non-recurring costs of €0.91 million related to costs incurred for the acquisition of 100% of the shares of the German subsidiary InoNet Computer GmbH, which were recognised in the income statement in the period in which they were incurred.
The combined effect of the longer period of consolidation of InoNet in 2023 compared to 2022 and the translation of financial statements into foreign currencies made it less easy to compare operating costs for the two years.
The most significant item that makes up operating costs is payroll costs. In the financial statements, these costs rose from €23.45 million (24.9% of revenues) to €26.13 million (27.9% of revenues) with an increase of €2.68 million equal to 11.4%. To better explain the annual change, it is necessary to consider the increase at constant exchange rates, which totalled €3.51 million, entirely due to the effect of t consolidation of InoNet. Non-recurring costs, represented separately, are always linked to payroll costs and amounted to €0.25 million.

During 2023, the structure was bolstered by the introduction of some important new managerial functions and the recruitment of fresh talent mainly in Europe aimed at addressing at least a portion of the turnover for the year. The number of employees at 31 December 2023 was 393 (398 at 31 December 2022), with an average for the period of 392.0 (347.6 in the financial year 2022). The data at year-end do not include the reorganisation of the US structure, completed in February 2024 and resulting in a reduction of ten employees.

Other operating costs, excluding non-recurring costs, remained stable at constant exchange rates and net of InoNet costs.

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 €5.53 million compared to €7.18 million in 2022, a decrease of €1.65 million.

EBITDA in 2023, including non-recurring costs, amounted to €5.28 million (€6.26 million in 2022).
EBITDA in 2022 as a percentage of revenues was 6.6% compared with a 2023 EBITDA ratio of 5.6%.

EBIT
The operating result (EBIT) amounted to -€2.45 million compared to a positive value of €0.65 million in 2022, and was also affected by the factors outlined above.
Depreciation, amortization and impairment of property, plant and equipment and intangible assets amounted to €7.73 million, compared with depreciation and amortization of €5.61 million in 2022. The 2023 values include Euro 0.3 million related to amortization resulting from the of intangible assets with a finite useful life (customer list and trademarks) identified following the finalization of the "purchase price allocation (PPA)" for Euro 0.30 million (accounted for following the determination of the PPA related to InoNet) and , and Euro 1.39 million of goodwill impairment for Euro 1.39 million.
Amortisation/depreciation and write-downs of property, plant and equipment and intangible assets amounted to €7.73 million, against amortisation/depreciation for 2022 of €5.61 million. The figures for 2023 include Euro 0.3 million related to amortisation of intangible assets with definitive use life (customer list and trademarks) identified from the final “purchase price allocation (PPA)” of InoNet and Euro 1.39 million of write-downs of goodwill. EBIT as a percentage of revenues stood at -2.6% in 2023 compared to 0.7% in 2022. The increase in amortisation/depreciation, in addition to the PPA effects, is mainly due to the new amortisation/depreciation of some development projects.

The write-downs made only in 2023 refer both to the development costs for a total of €691 thousand, related to products and projects that found less market interest than originally estimated, and the write-down of the goodwill of the UK value-generating unit for €1.39 million.

Net financial management in 2023 amounted to €0.79 million (€0.04 million in 2022) and is affected by €1.05 million of net interest income (in 2022 it amounted to €0.32 million) and the amount of other financial income and charges. Financial income includes €0.16 million relating to the fair value adjustments of payables for business combinations. With regard to the net exchange rate difference, a profit of €1.67 million was reported in 2023, whereas in 2022 the profit was €0.50 million.

Pre-tax result
The pre-tax result in 2023 amounted to -€1.66 million (it was €0.69 million in 2022). This performance was influenced by the factors outlined above.

Net result
The Group net result was -€3.12 million compared to -€1.62 million in 2022.
This performance not only reflects the pre-tax result, but is due to the influence of the tax effect on the individual Group companies, (see the note 31 for more details).

Breakdown by geographical area

The Group oversees a single line of business known as "Modules and Platforms", which comprises a) embedded computing modules and systems for industrial, transport, medical, and energy; 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.

The development 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		
	2023	2022	% YoY Change	2023	2022	% YoY Change	2023	2022	% YoY Change	2023	2022	% YoY Change	2023	2022	% YoY Change
Third party Sales	24,842	39,728		42,445	25,900		26,469	28,636		0	0		93,756	94,264	
Infra-sector Sales	751	2,324		4,145	6,064		607	428		(5,503)	(8,816)		0	0	
Total Sales revenues	25,593	42,052	-39.1%	46,590	31,964	45.8%	27,076	29,064	-6.8%	(5,503)	(8,816)	-37.6%	93,756	94,264	-0.5%
Gross profit	11,386	16,926	-32.7%	21,274	12,385	71.8%	13,673	13,758	-0.6%	(1,910)	(676)	182.5%	44,423	42,393	4.8%
Gross profit margin - %	44.5%	40.3%		45.7%	38.7%		50.5%	47.3%					47.4%	45.0%	
EBITDA													5,280	6,264	-15.7%
EBITDA margin - %													5.6%	6.6%	
EBIT													(2,449)	751	-426.1%
EBIT margin - %													-2.6%	0.8%	

North America area's revenues, including infra-sector revenues, decreased by 37.5%, from €42.05 million in 2022 to €25.59 million in 2023. This decrease is due to the reduction in orders from historical customers, in particular in the smart-agriculture sector, which in 2022 had significantly increased inventories and in 2023 released lower orders to offset the excess purchases of the previous year (destocking). In 2023, revenues in the American area were affected by a high concentration of turnover on a small number of long-standing customers.

The Europe area ramped up from €31.96 million (including the 4-month turnover of the German subsidiary InoNet computer GmbH), to €45.98 million including InoNet for the entire 12 months. Total growth including infra-sector revenues was 43.9%, due almost entirely to the effect of InoNet.

Finally, the Asia area showed a growth at constant exchange rates of 4.9%, while at historical exchange rates there was a decrease of 4.8% from €29.06 million to €27.68 million. The actual increase is attributable to the higher turnover generated by long-standing recurring customers.

The breakdown of revenues by type that, also in application of IFRS 15, provides information on disaggregated revenues, shows a slight increase in industrial revenues (up 0.3% compared to 2022), while service revenues are down 6.2% compared to 2022.

(€' 000)	FY 2023	%	FY 2022	%	% change
SALES BY TYPE					
Industrial revenues	82,962	88.5%	82,755	87.8%	0.3%
Services revenues	10,794	11.5%	11,509	12.2%	-6.2%
TOTALE SALES AND SERVICE REVENUES	**93,756**	**100.0%**	**94,264**	**100.0%**	**-0.5%**

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

(€' 000) BREAKDOWN BY GEOGRAPHIC AREA	FY 2023	%	FY 2022	%	% change
European Union	38,593	41.2%	22,480	23.8%	71.7%
United States	23,657	25.2%	38,559	40.9%	-38.6%
Japan	26,430	28.2%	28,447	30.2%	-7.1%
Other	5,076	5.4%	4,778	5.1%	6.2%
TOTAL SALES AND SERVICE REVENUES	**93,756**	**100.0%**	**94,264**	**100.0%**	**-0.5%**

Based on the breakdown of turnover by customer geographical area, the European area following the consolidation of InoNet has become the most significant area with 41.2% of the total. The increase was 71.7% both due to organic growth and external growth.
Japan remains the second most important area with a 28.2% share of consolidated turnover, slightly down from 30.2% in 2022. As already explained, the decrease is mainly due to the exchange rate effect, as at constant exchange rates there is an increase of 2.3%.
The US area becomes the Group's third largest area due to the reduction in revenues. The USA area accounted for 25.2% of total annual turnover in 2023 compared to 40.9% in 2022.
With reference to the other geographical areas, the absolute value of growth was 6.2%, accounting for 5.4% (5.1% in the previous year).

(€'000)	FY 2023	% of sales	FY 2022	% of sales	% change
Purchases of raw materials, semi-finished and finished products	46,922	50.0%	58,018	61.5%	-19.1%
Changes in inventories of raw materials	340	0.4%	(4,527)	-4.8%	-107.5%
Change in inventories of semi-finished and finished products	2,071	2.2%	(1,620)	-1.7%	-227.8%
TOTAL COST OF MATERIALS	**49,333**	**52.6%**	**51,871**	**55.0%**	**-4.9%**

Consumption of raw and auxiliary materials and consumables – the components of which are shown in the table above – in the period under review shows a decrease due to the mix of products sold against a slightly decreasing turnover, from €51.87 million in 2022 to €49.33 million in 2023. In the same period, there was a decrease in consumption of 4.9%, which was more than proportional to the decrease in turnover of 0.5%. The non-proportional difference between the changes in consumption and turnover is the direct result of the mix of products sold, the type of services offered and the write-downs on inventories. Costs for raw and auxiliary materials and consumables as a percentage of revenues grew from 55.0% in 2022 to 52.6% in 2023.

The Group's operating costs are shown in the tables below before non-recurring costs and after non-recurring costs, grouped under a single heading:

(€'000)	FY 2023	% of sales	FY 2022	% of sales	% change
Service costs	14,653	30.6%	14,657	15.5%	0.0%
- of which non recurrent costs	*-*	*0.0%*	*913*	*1.0%*	-100.0%
Rent and leases	747	1.6%	823	0.9%	-9.2%
Payroll	26,384	55.1%	23,453	24.9%	12.5%
- of which non recurrent costs	*251*	*0.5%*	*0*	*0.0%*	n.s.
Accruals and other costs	900	1.9%	901	1.0%	-0.1%
Cost adjustments for in-house generation of non-current assets	(2,658)	-5.5%	(3,491)	-3.7%	-23.9%
Operating costs net of cost adjustments	**40,026**	**42.5%**	**36,343**	**38.6%**	**10.1%**

(€'000)	FY 2023	% of sales	FY 2022	% of sales	% change
Service costs	14,653	30.6%	13,744	14.6%	6.6%
Rent and leases	*747*	1.6%	823	0.9%	-9.2%
Payroll	26,133	54.6%	23,453	24.9%	11.4%
Accruals and other costs	900	1.9%	901	1.0%	-0.1%
assets	(2,658)	-5.5%	(3,491)	-3.7%	-23.9%
Operating costs net of non recurrent costs and of cost adjustments	**39,775**	**42.2%**	**35,430**	**37.6%**	**12.3%**
- non recurrent costs	*251*	0.3%	913	1.0%	-72.5%
Operating costs net of cost adjustments	**40,026**	**42.7%**	**36,343**	**38.6%**	**10.1%**

Non-recurring costs were incurred in both 2023 and 2022; these costs are shown here separately. In 2023 they referred to payroll costs related to the reorganisation in the United States, whereas in 2022 they were entirely related to the costs incurred for the acquisition of the German company InoNet Computer GmbH, as further described in Note F.

As a percentage of revenues, operating costs, net of non-recurring costs and only cost adjustments for internal increases, increased from 37.6% in 2022 to 42.2% in 2023. Also considering these non-recurring costs, the operating costs amounted to a total of €40.03 million in 2023 and to €36.34 million in 2022, an increase of 10.1%. The increase in the absolute value is due not only to the higher proportion of InoNet in 2023 compared to 2022 in terms of the consolidation period, but also 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.

The trend in service costs is shown below.

(€'000)	FY 2023	%	FY 2022	%	% change
Industrial services	5,712	39.0%	4,907	33.5%	16.4%
Commercial services	2,473	16.9%	1,996	13.6%	23.9%
General and administrative costs	6,468	44.1%	7,754	52.9%	-16.6%
Total costs of services	**14,653**	**100.0%**	**14,657**	**100.0%**	**0.0%**
% impact on sales	**15.6%**		**15.5%**		

Costs for services remain constant and decreased from €14.66 million in 2022 to €14.65 million in 2023. As a percentage of revenues, this item stood at 15.6% (2022: 15.5%). At constant exchange rates, the increase in 2023 was €1.18 million due entirely to the effect of the consolidation of InoNet.

Industrial service costs were up 16.4%, from €4.91 million in 2022 to €5.71 million in 2023. 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 23.9% for marketing and sales expenses; these costs amounted to €2.47 million in 2023 (2022: €2.00 million), an increase of €0.47 million.

Costs for general and administrative services decreased by 16.6% compared to the previous year, from €7.75 million in 2022 to €6.47 million in 2023, due to the effect of increase of synergies and linked to non-recurring costs incurred in 2022 for €0.91 million.

The absolute value of leasing costs decreased from €0.82 million in 2022 to €0.75 million in 2023. The decrease is due to lower costs incurred to use third-party assets for activities related to the IoT business area and lower rental costs. Costs for the use of third-party assets are related to leases and rental agreements that, by duration and/or amount, are found to apply exemptions under IFRS16. The percentage to revenues amounted to 0.8% (2022: 0.9%).

Payroll costs increased by 12.5% or €2.93 million. At constant exchange rates, the increase would have been €3.76 million: €3.52 million due to the different proportion of InoNet in the consolidated financial statements and €0.24 million from the different salary mix regarding employees hired versus those who left during the year. The following table shows the payroll costs:

(€'000)	FY 2023	%	FY 2022	%	% change
Wages, salaries and Social Security contributions	25,431	96.4%	22,293	95.1%	14.1%
Costs of defined benefit plans	382	1.4%	553	2.4%	-30.9%
Other costs	571	2.2%	607	2.6%	-5.9%
Total personnel expenses	**26,384**	**100.0%**	**23,453**	**100.0%**	**12.5%**
% impact on sales	**28.1%**		**24.9%**		

In 2023 payroll costs as a percentage of revenues stood at 28.1%, compared to 24.9% in 2022.

As shown in the table below, the number of Group employees at the end of the years under review increased from 398 in 2022 to 393 in 2023. The net number of employees decreased by 5 units. In terms of average number of employees, the figures increased from 347.6 in 2022 to 392.0 in 2023, as the employees of the German subsidiary were part of the Group for the entire year in 2023 while only for 4 months in 2022.

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 2023	at December 31, 2023	Average 2022	at December 31, 2022
Manager	11.2	11	8.9	11
Clerical workers	274.0	276	302.1	279
Line workers	106.8	106	36.5	108
TOTAL	**392.0**	**393**	**347.6**	**398**

Total accrual and other costs are as follow:

(€'000)	FY 2023	%	FY 2022	%	% change
Doubful debt provision	68	7.6%	259	28.7%	-73.7%
Other Provisions	88	9.8%	2	0.2%	n.s.
Other costs	744	82.7%	640	71.0%	16.3%
Total accruals and other costs	**900**	**100.0%**	**901**	**100.0%**	**-0.1%**
% impact on sales	**1.0%**		**1.0%**		

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 2023 refer entirely to the increase in the provision for product guarantees, which was adjusted to reflect the related risk, while in 2022 the item had no significant value.
In 2023, losses on receivables amounted to €1 thousand, while in 2022 the amount was €6 thousand.
As a percentage of revenues, this item was 1.0% both in 2023 and in the previous year.

(€'000)	FY 2023	%	FY 2022	%	% change
Government grants	393	44.5%	18	8.4%	n.s.
Sundry revenues	490	55.5%	196	91.6%	150.0%
Total other revenues	**883**	**100.0%**	**214**	**100.0%**	**312.6%**
% impact on sales	**0.9%**		**0.2%**		

The "Other income" item increased in the period under consideration, from €0.21 million in 2022 to €0.88 million in 2023. The difference is due to the recognition in 2023 of operating grants relating to previous years and other revenues.

As a percentage of revenues, this item increases from 0.2% in 2022 to 0.9% in 2023.

(€'000)	FY 2023	%	FY 2022	%	% change
Amortisation of intangile assets	3,731	48.3%	3,784	67.4%	-1.4%
Amortisation of property, plant and equipment	1,918	24.8%	1,828	32.6%	4.9%
Write-down of fixed assets	2,080	26.9%	-	0.0%	n.s.
Total amortisation and depreciation	**7,729**	**100.0%**	**5,612**	**100.0%**	**37.7%**
% impact on sales	**8.2%**		**6.0%**		

(*) Restated, see note F -Business combination

Amortisation/depreciation increased from €5.61 million in 2022 to €5.65 million in 2023.
As a result of the "restatement" of 2022 as indicated in Note F, 2022 was adjusted by €0.10 million and 2023 includes for €0.30 million the amortisation of the intangible assets with definitive life time identify in PPA.

Write-downs made during the year amounted to €2.08 million and relate for €1.39 million to the partial write-down of the goodwill of the Eurotech Ltd CGU deriving from a change in strategy made on the cash generating unit in question and to €0.69 million from the write-downs made on some project and product whose value is no longer deemed recoverable.

Depreciation, amortisation and write-downs of non-current assets as a percentage of revenues rose to 8.2% in 2023 from 6.0% in 2022.

€'000	FY 2023	FY 2022	change %
Exchange-rate losses	1,482	2,117	-30.0%
Interest expenses	951	272	249.6%
Interest expenses on lease liabilities	109	56	94.6%
Expenses on derivatives	-	15	n/a
Other finance expenses	91	149	-38.9%
Financial charges	**2,633**	**2,609**	**0.9%**
Exchange-rate gains	3,150	2,613	20.6%
Interest income	8	9	-11.1%
Gain on derivatives	100	-	n/a
Other finance income	162	25	n.s.
Financial incomes	**3,420**	**2,647**	**29.2%**
Net financial income	**787**	**38**	**n.s.**
% impact on sales	**0.8%**	**0.0%**	

The "Financial charges" item remained stable year on year, going from €2.61 million in 2022 to €2.63 million in 2023 with a different proportion in the years compared to the exchange rate linked to the performance of foreign

currencies (US dollar, Japanese yen and British pound), which decreased in 2023 compared to 2022 and the charges related to the management of interest expenses, which have the opposite trend.

Financial income, mainly due to the trend in exchange rate differences, increased from €2.65 million in 2022 to €3.42 million in 2023.

Net charges from financial management as a percentage of revenues is 0.8% in 2023 compared to 0.0% in 2022.

(€'000)	FY 2023	% of sales	FY 2022	% of sales	% change
Pre-tax result	(1,662)	-12.7%	690	2.6%	-340.9%
Income taxes	(1,456)	-3.8%	(2,309)	-2.5%	-36.9%
Income taxes as a percentage of profit before taxes (effective tax rate)	**-87.6%**		**334.6%**		

(*) Restated, see note F -Business combination

An increase in pre-tax result from €0.69 million in 2022 to -€1.66 million in 2023. The incidence of income taxes on the pre-tax result in the year reflects the tax trends of the various companies included in the scope of consolidation. In addition, as a consequence of the continuing uncertainties in the global economic scenario (by the conflicts in Europe and the Middle East) connected to the predicted plan tax results. A considerable part of the residual overall tax benefit on the accumulated losses has been accounted.

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 2023	% of sales	FY 2022	% of sales	% change
IRES (Italian corporate income tax)	-	0.0%	1	0.0%	-100.0%
IRAP (Italian Regional business tax)	-	0.0%	6	0.0%	-100.0%
Foreign current income taxes	1,667	1.8%	2,326	2.5%	-28.3%
Total current income tax	**1,667**	**1.8%**	**2,333**	**2.5%**	**-28.5%**
Net (prepaid) deferred taxes: Italy	90	0.1%	435	0.5%	-79.3%
Net (prepaid) deferred taxes: Non-italian	(301)	-0.3%	(459)	-0.5%	-34.4%
Net (prepaid) deferred taxes	**(211)**	**-0.2%**	**(24)**	**0.0%**	**n.s.**
TOTAL INCOME TAXES	**1,456**	**1.6%**	**2,309**	**2.4%**	**-36.9%**

(*) Restated, due to the final Purchase Price Allocation of InoNet. Effect on Income Statement is Euro 99 thousand at amortization level and Euro 26 thousand at taxes level

Eurotech S.p.A. operates in a national tax consolidation scheme for Italian companies of the Group.

The Group's net result for 2023 shows a loss for the year of €3.12 million compared to a loss for 2022 of €1.62 million (net amount from the reclassification as indicated in Note F).

Statement of financial position

Non-current assets

(€'000)	at December 31, 2023	at December 31, 2022 (*)	Changes
Intangible assets	85,827	94,573	(8,746)
Property, Plant and equipment	7,185	7,425	(240)
Investments in affiliate companies	4	-	4
Investments in other companies	544	549	(5)
Deferred tax assets	4,655	5,301	(646)
Medium/long term borrowing allowed to affiliates companies and other companies	-	66	(66)
Other non-current assets	502	552	(50)
Total non-current assets	**98,717**	**108,466**	**(9,749)**

(*) Restated, see note F -Business combination

The "Non-current assets" item increased from €108.47 million in the financial year 2022 to €98.72 million in 2023.
The change of €9.75 million was mainly attributable to the different translation ratio of foreign currency financial statements, as well as to the €1.39 million write-down of goodwill, investments made and amortisation of values, and partly to the change in intangible assets resulting from the final allocation of the InoNet PPA.
With reference to the restatement of the 2022 statement of financial position, it should be noted that intangible assets were increased compared to the published financial statements for a net amount of €0.95 million deriving from the higher value attributed to the intangible assets of InoNet at the time of the PPA (€1.05 million) and related amortisation (€0.99 million).
Deferred tax assets also decreased by €0.65 million as they are mainly used in the US.

With reference to the change in the period, which shows a decrease of €9.75 million, the exchange rate effect had a negative impact of €6.96 million: in fact, if the values at constant exchange rates had been compared, a decrease of €2.79 million would have resulted.

The group's main investments were as follows:

(€'000)	at December 31, 2023	at December 31, 2022	Changes
Intangible assets	2,753	3,660	(907)
Property, plant and equipment	395	267	128
Investments	4	-	4
TOTAL MAIN INVESTMENTS	**3,152**	**3,927**	**(775)**

Current assets

(€'000)	at December 31, 2023	at December 31, 2022	Changes
Inventories	21,887	26,854	(4,967)
Trade receivables	19,883	19,906	(23)
Income tax receivables	1,206	749	457
Other current assets	2,151	2,274	(123)
Other current financial assets	143	139	4
Derivative instruments	102	205	(103)
Cash & cash equivalents	11,428	18,110	(6,682)
Total current assets	**56,800**	**68,237**	**(11,437)**

The "Current assets" item decreased from €68.24 million in 2022 to €56.80 million in 2023. The change is mainly attributable to the reduction in the value of inventories and the decrease in cash and cash equivalents mainly for the repayment of loan instalments and to support operations. Compared to 31 December 2022, at the end of 2023 there was a reduction in inventories of €4.97 million (-18.5%) used to meet customer requests and which should further reduce after the effects of accumulation related to long procurement lead-times due to the shortage of components between 2020 and 2022.

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, 2023 (b)	at December 31, 2022 (a)	Changes (b-a)
Inventories	21,887	26,854	(4,967)
Trade receivables	19,883	19,906	(23)
Income tax receivables	1,206	749	457
Other current assets	2,151	2,274	(123)
Current assets	**45,127**	**49,783**	**(4,656)**
Trade payables	(11,668)	(19,780)	8,112
Trade payables from affiliates companies	(127)	0	(127)
Income tax liabilities	(1,779)	(1,449)	(330)
Other current liabilities	(7,701)	(8,610)	909
Current liabilities	**(21,275)**	**(29,839)**	**8,564**
Net working capital	**23,852**	**19,944**	**3,908**

Net working capital increased by €3.91 million. This increase resulted the reduction in current liabilities partially offset by the decrease of the related lines in current assets. In particular, there was a significant decrease in inventories, but also a significant decline in trade payables as well as other current liabilities. Net working capital as a percentage of turnover is 25.4%, whereas at the end of 2022 it had been 18.8% (value normalised by the impact of InoNet acquisition).

Net financial position

At 31 December 2023, the Group had a net financial debt of €20.57 million, compared to an amount of €14.42 million at 31 December 2022.
The change is due to the net use of cash to support operations, working capital and the net investment in property, plant and equipment and intangible assets.

Financial liabilities related to leases contracts accounted for in accordance with IFRS16 amounted to €4.72 million as of December 31, 2022; as of December 31, 2023, the remaining higher financial liabilities recorded amounted to €4.69 million.

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 following table shows the breakdown of the net financial position under these guidelines.

(€'000)		at December 31, 2023	at December 31, 2022
Cash	A	11,428	18,110
Cash equivalents	B	-	-
Other current financial assets	C	245	344
Cash equivalent	**D=A+B+C**	**11,673**	**18,454**
Current financial debt	E	4,547	2,241
Current portion of non-current financial debt	F	13,474	14,015
Short-term financial position	**G=E+F**	**18,021**	**16,256**
Short-term net financial position	**H=G-D**	**6,348**	**(2,198)**
Non current financial debt	I	13,481	15,785
Debt instrument	J	-	-
Trade payables and other non-current payables	K	740	900
Medium-/long-term net financial position	**L=I+J+K**	**14,221**	**16,685**
(NET FINANCIAL POSITION) NET DEBT ESMA	**M=H+L**	**20,569**	**14,487**
Medium/long term borrowing allowed to affiliates companies and other Group companies	N	-	66
(NET FINANCIAL POSITION) NET DEBT	**O=M-N**	**20,569**	**14,421**

Existing financial liabilities of €22.27 million, plus current account overdrafts at year-end 2023 of €4.55 million, combine to form total debt to banks of €26.81 million, of which €15.39 million is payable in the short term.

As of December 31, 2023, the Group has not complied with some of the covenants under a loan agreement and has therefore reclassified the related medium-long-term portion as a current financial liability for €1.5 million. The Directors believe that it is likely that an agreement will be reached with the lender, which could at least allow the original maturities of the loan facility granted to be maintained.

(€'000)		at December 31, 2023	at December 31, 2022 (*)
Cash flow generated (used) in operations	A	1,908	(1,608)
Cash flow generated (used) in investment activities	B	(3,112)	(13,396)
Cash flow generated (absorbed) by financial assets	C	(2,186)	1,605
Net foreign exchange difference	D	(3,292)	(195)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(6,682)	(13,594)
Opening amount in cash & cash equivalents		**18,110**	**31,704**
Cash & cash equivalents at end of period		**11,428**	**18,110**

(*) Restated, see note F -Business combination

AOperating activities generated cash flows of €1.91 million, compared to a use of €1.61 million in 2022.

Investment activities related to 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

With the scope of transactions aimed at routine management of the Eurotech Group's business and constant promotion of new production and commercial synergies, Group companies maintain reciprocal commercial relations by reason of which they sell and purchase products and services. The main relationships include the fact that (a) Group companies use, against the recognition of royalties, trademarks held by the Parent Company, and that (b) the Parent Company provides administrative, tax, corporate, business and strategic consulting services to its subsidiaries.
Relations between Group companies are regulated at market conditions, taking into account the quality of goods and services provided. The outstanding balance at the reporting date are not supported by guarantees, do not generate interests (excluding financial transactions) and are settled in cash. No warranties, whether given or received, exist in relation to related-party receivables and payables.
During the year, the parent company Eurotech S.p.A. waived financial receivables in favor of the French subsidiary Eurotech France Sas in the amount of €142 thousand.
As a result, for the period ended 31 December 2023, the Group, following an assessment of the financial position of the related parties and an analysis of the market in which they operate, 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.).

Relations with related parties include transactions arising in the course of normal business and financial relationships with companies in which the Directors of the Parent Company 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 Note 32 of the consolidated financial statements.

There were no atypical or unusual transactions during the year 2023, as defined by CONSOB in its communication no. 6064293 of 28 July 2006.

The table below shows information on equity investments held in the Parent Company 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, 2023				
Name	Nomination	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	President up to 27.04.2024	Eurotech	-	-	-	-	-	-
di Giacomo Luca	President from 27.04.2023	Eurotech	-	-	-	-	-	-
Fumagalli Aldo	Director and Vice President	Eurotech	-	-	-	-	-	-
Chawla Paul	Director	Eurotech	Ownership	126,150	-	-	126,150	-
Costaguta Marco	Director	Eurotech	-	-	-	-	-	-
Mio Chiara	Director up to 27.04.2023	Eurotech	-	-	-	-	-	-
Marti Antongiulio	Director up to 27.04.2023	Eurotech	-	-	-	-	-	-
Curti Susanna	Director	Eurotech	-	-	-	-	-	-
Filippini Mariagrazia	Director up to 27.04.2023	Eurotech	-	-	-	-	-	-
Rovizzi Laura	Director up to 27.04.2023	Eurotech	-	-	-	-	-	-
Costa Michela	Director from 27.04.2023	Eurotech	-	-	-	-	-	-
Gervasio Alberta	Director from 27.04.2023	Eurotech	-	-	-	-	-	-
Pesce Simona	Director from 27.04.2023	Eurotech	-	-	-	-	-	-
Russo Massimo	Director from 27.04.2023	Eurotech	-	-	-	-	-	-
Monti Fabio	President of Board of Statutory Auditors	Eurotech	-	-	-	-	-	-
Savi Daniela	Statutory Auditor	Eurotech	-	-	-	-	-	-
Briganti Laura	Statutory Auditor from 27.04.2023	Eurotech	-	-	-	-	-	-
Monterisi Pietro	Statutory Auditor up to 27.04.2023	Eurotech	-	-	-	-	-	-
	Strategic Managers	Eurotech	Ownership	41,000	-	-	41,000	-

Reconciliation statement of results for the year and shareholders' equity

The schedule below shows the reconciliation of net profit and consolidated shareholders' equity of the Issuer at 31 December 2023 and 31 December 2022:

(€'000)	Profit (Loss) 31/12/2023	Shareholders' Equity 31/12/2023	Profit (Loss) 31/12/2022	Shareholders' Equity 31/12/2022
Financial report of the Parent Company	**(23,142)**	**113,332**	**(4,456)**	**136,307**
Group share of shareholders' equity and pro-quota value in consolidated companies	19,399	(69,047)	4,796	(87,078)
Differential arising from consolidation	(1,389)	44,571		49,855
Customer relationship	(115)	1,581	(38)	1,696
Trademark	(183)	8,740	(61)	9,678
Reversal of Impairment of equity transactions		-	155	-
Elimination of unrealised internal profit on inventories	(253)	(253)		
Elimination of unrealised internal profit on capitalizations	(8)	(388)	(30)	(380)
Exchange differences on equity investments in foreign companies	2,449	-	(1,755)	-
Stock option subsidiaries	(52)	-	(57)	-
Other minor differences	84	51	(199)	(30)
Tax effects on consolidation adjustments listed above	92	(3,268)	26	(3,606)
Consolidated financial statements	**(3,118)**	**95,319**	**(1,619)**	**106,442**

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

The Parent Company Eurotech S.p.A. held 240,606 treasury shares at the end of the reporting period. Treasury shares changed as follows in 2023:

	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 2023	**255,606**	**64**	**0.72%**	**703**	**2.75**
Purchases	-	-	0.00%	-	
Sales	-	-	0.00%	-	
Assignment-Performance share Plan	(15,000)	(4)	-0.04%	(41)	2.75
Status as at 31 December 2023	**240,606**	**60**	**0.68%**	**662**	**2.75**

Investments and research & development

At 31 December 2023, technical investments (property, plant and equipment) in equipment and instruments amounted to €140 thousand, investments in property and other assets amounted to €208 thousand, investments to purchase user, software and know-how licenses amounted to €79 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 (limited to Japan), 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 €2.66 million: 7.9% of said costs relate to the development of new hardware products based on the new ultra-low power architecture; 73.7% of said costs relate to software projects in the Edge computing segment and in the Internet of Things platforms; the remaining approximately 18.4% 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 related to the Russia-Ukraine conflict

The conflict between Russia and Ukraine, which has been going on for more than 2 years, is continuing to have major global consequences not only because of the serious humanitarian crisis that has ensued, but also because of the economic impact on global markets difficult to predict.
Although the Eurotech Group continues to have no 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 an impact on procurement costs. The situation is closely monitored in order to be able to react promptly to changes of the situation.

Risks related to the conflict between Israel and Palestine

With regard to the conflict in the Middle East between Israel and Palestine, which arose at the beginning of October 2023, although there are no direct implications for the Group as there are no trade relations in that area, the general ramifications are still uncertain and they should become clearer over time. Also in this case, from an initial analysis, there could be impacts both in terms of cost volatility (e.g. energy) and in international trade relations.

Risks connected to general economic conditions

The global macroeconomic backdrop in 2023 was affected by the continuing consequences of the war between Russia and Ukraine and between Israel and Palestine. 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, with consequences on interests' rates.
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 each 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 and the too slow recovery of Europe after the pandemic in addition to the conflicts also involving it in the Mediterranean basin, could represent elements of instability for Europe's 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 foreign subsidiaries 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 (mainly Interest Rate Swap agreements – IRS).
Steep exchange rate or interest rate fluctuations may have an impact on the Group's business performance and financial results.
For more information, see Note 34.

Risks connected to liquidity and required financial resources

In consideration of the existing net financial position, the Group expects to fulfil the obligations deriving from maturing financial payables through the liquidity available, through the flows deriving from operations, through the use of existing credit lines and/or the renewal or refinancing of bank loans, as well as through the raising of equity on the market.
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 2023 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 keep available liquidity invested in on-demand or very short-term bank deposits by dividing, whenever possible, deposits among a sufficient number of selected bank counterparties operating in different geographical areas.
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 depends 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 in part 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 continues to adopted a strategy of planned purchases.

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, as well as some of the parameters that make up the discount rate. 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 in the application of some of the parameters that make up the discount rate.

Finally, the Group's strategic development is influenced by the evolution of technologies, applications, and more generally the sectors and markets in which the Group operates by offering solutions (products and services) that are frequently renewed. As a result, goodwill originating from acquisitions made in markets, sectors and periods other than those projected in the annually updated business plans, could give rise to potential impairment losses arising also from qualitative analyses about the Group's strategic development, even before the precise identification of the expected cash flows in one of the Group's entities, a dimension on which the cash-generating units insist.

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 increasingly committed to responding to the challenges posed by climate change to improve the Group's resilience and seize the opportunities arising from the transition to a sustainable and low-carbon economy. To achieve these objectives, the initial step involves identifying the risks and opportunities related to the climate 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 increasing attention to assessing its potential effects in the individual development processes of the Group.

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 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.

Regulatory simplification process based on CONSOB resolution No. 18079/2012

Pursuant to Article 3 of CONSOB Resolution No. 18079 of 20 January 2012, Eurotech adopted the simplification procedure set out in Articles 70, paragraph 8, and 71, paragraph 1-bis, of the Regulation adopted by CONSOB with resolution no. 11971 of 14 May 1999 as amended and supplemented. Therefore, it opts to derogate from the requirement to publish the information documents set out in Attachment 3B of this CONSOB Regulation for significant transactions such as mergers, spin-offs, capital increases via contributions in kind, acquisitions and sales.

Events after the reporting date

There are no 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 2023 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., 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 2023 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 the technology offering, as well as the solid governance of the Group on the capital and financial front, make it possible to positively face the challenges for 2024 and to see the following years positively, albeit with precautions that arise from time to time depending on market conditions in certain sectors.

The Group will also pursue strategic development in 2024, 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 where IT-OT integration and cybersecurity are most valued;
- create growth both organically and through external lines;
- leverage both global and local accelerating factors and forces of change:
    - Edge AI
    - Renewable & smart energy
    - Electrification
    - Assisted Driving (Level 2 & Level 3).

Consolidated financial statements at 31 December 2023 prepared according to international accounting standards

Consolidated statement of financial position

(€'000)	Notes	at December 31, 2023	of which related parties	at December 31, 2022 (*)	of which related parties
ASSETS					
Intangible assets	1	85,827		94,573	
Property, Plant and equipment	2	7,185		7,425	
Investments in affiliate companies	3	4		-	
Investments in other companies	3	544		549	
Deferred tax assets	32	4,655		5,301	
Medium/long term borrowing allowed to affiliates companies and other companies	33	-	-	66	66
Other non-current assets	4	502		552	
Total non-current assets		**98,717**		**108,466**	
Inventories	5	21,887		26,854	
Trade receivables	6	19,883	1	19,906	8
Income tax receivables	7	1,206		749	
Other current assets	8	2,151		2,274	
Other current financial assets	10	143		139	3
Derivative instruments	34	102		205	
Cash & cash equivalents	9	11,428		18,110	
Total current assets		**56,800**		**68,237**	
Total assets		**155,517**		**176,703**	
LIABILITIES AND EQUITY					
Share capital		8,879		8,879	
Share premium reserve		136,400		136,400	
Other reserves		(49,960)		(38,837)	
Group shareholders' equity	**12**	**95,319**		**106,442**	
Equity attributable to minority interest	**12**	**-**		**-**	
Total shareholders' equity	**12**	**95,319**		**106,442**	
Medium-/long-term borrowing	14	13,481		15,785	
Employee benefit obligations	15	2,382		2,504	
Deferred tax liabilities	32	3,400		3,978	
Other non-current liabilities	17	899		999	
Business combination liabilities		740		900	
Total non-current liabilities		**20,902**		**24,166**	
Trade payables	18	11,668	137	19,780	117
Trade payables from affiliates companies	8	127	127	-	
Short-term borrowing	14	18,021		16,256	
Income tax liabilities	7	1,779		1,449	
Other current liabilities	19	7,701		8,610	
Total current liabilities		**39,296**		**46,095**	
Total liabilities		**60,198**		**70,261**	
Total liabilities and equity		**155,517**		**176,703**	

(*) Restated, see note F -Business combination

Consolidated income statement

(Migliaia di Euro)	Notes	FY 2023	of which non recurrent	of which related parties	FY 2022	of which non recurrent	of which related parties
Revenues from sales of products and services	20	93,756		1	94,264		8
Other revenues	27	883			214		
Cost of materials	22	(49,333)			(51,871)		
Service costs	24	(14,653)			(14,657)	(913)	(452)
Lease & hire costs	25	(747)			(823)		
Payroll costs	25	(26,384)	(251)	(659)	(23,453)		
Other provisions and other costs	26	(900)			(901)		
Cost adjustments for in-house generation of non-	28	2,658			3,491		
Depreciation & amortisation	29	(5,649)			(5,612)		
Asset impairment	29	(2,080)	-		-		
Operating profit		**(2,449)**	**(251)**		**652**	**(913)**	
Finance expense	30	(2,633)			(2,609)		
Finance income	30	3,420			2,647		1
Profit before taxes		**(1,662)**			**690**		
Income tax	31	(1,456)			(2,309)		
Net profit (loss)		**(3,118)**			**(1,619)**		
Minority interest		**-**			**-**		
Group net profit (loss) for period		**(3,118)**			**(1,619)**		
Base earnings (losses) per share	**13**	**(0.088)**			**(0.046)**		
Diluted earnings (losses) per share	**13**	**(0.088)**			**(0.046)**		

(*) Restated, see note F – Business combination

Consolidated statement of comprehensive income

(€'000)	Notes	FY 2023	FY 2022
Net profit (loss) before minority inerest (A)		**(3,118)**	**(1,619)**
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	(103)	211
Foreign balance sheets conversion difference		(5,623)	(4,286)
Exchange differences on equity investments in foreign companies	12	(2,449)	1,755
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)		***(8,175)***	***(2,320)***
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on defined benefit plans for employees	15	(98)	176
After taxes net other comprehensive income not being reclassified to profit orloss in subsequent periods (C)		***(98)***	***176***
Comprehensive net result (A+B+C)		**(11,391)**	**(3,763)**
Comprehensive minority interest		**-**	**-**
Comprehensive Group net profit (loss) for period		**(11,391)**	**(3,763)**

(*) Restated, see note F – Business combination

Consolidated statement of changes in 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, 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		-	-	-	-	-	-	-	-	-	(1,619)	(1,619)	-	(1,619)
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**	**-**	**(1,619)**	**(3,763)**	**-**	**(3,763)**
- 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)**	**(1,619)**	**106,442**	**-**	**106,442**

(*) Restated, see note F -Business combination

(€'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)**	**(1,619)**	**106,442**	**-**	**106,442**
2022 Result allocation		-	-	-	-	(1,619)	-	-	-	-	1,619	-	-	-
Profit (loss) as at December 31, 2023		-	-	-	-	-	-	-	-	-	(3,118)	(3,118)	-	(3,118)
Comprehensive other profit (loss):														
- Hedge transactions	34	-	-	-	-		(103)	-	-	-	-	(103)	-	(103)
- Actuarial gains/(losses) on defined benefit plans for employees	15	-	-	-	-		-	(98)	-		-	(98)	-	(98)
- Foreign balance sheets conversion difference		-	-	-	(5,623)	-			-	-	-	(5,623)	-	(5,623)
- Exchange differences on equity investments in foreign companies	12	-	-	-	-		-	-	(2,449)	-	-	(2,449)	-	(2,449)
Total Comprehensive result		**-**	**-**	**-**	**(5,623)**	**-**	**(103)**	**(98)**	**(2,449)**	**-**	**(3,118)**	**(11,391)**	**-**	**(11,391)**
- Performance Share Plan	16	-	-	-	-	227	-	-	-	41	-	268	-	268
- Other changes and transfers	12				-	-	-			-		-		-
Balance as at December 31, 2023		**8,879**	**1,776**	**136,400**	**375**	**(51,270)**	**102**	**(543)**	**3,380**	**(662)**	**(3,118)**	**95,319**	**-**	**95,319**

(*) Restated, see note F -Business combination

Statement of changes in shareholders' equity – current year

Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT *(€'000)*	Notes	at December 31, 2023	of which related parties	at December 31, 2022 (*)	of which related parties
CASH FLOWS GENERATED BY OPERATIONS:					
Group net profit (loss) for period		**(3,118)**		**(1,619)**	
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:					
Minority interests		-		-	
Depreciation & amortization intangible assets, property, plant and equipment	29	7,729		5,612	
Write-down of receivables	5	68		258	
Interest income	30	8		(9)	
Interest expenses	30	1,060		492	
Income taxes (paid) get		-		(55)	
Income taxes of the period	31	-		2,335	
Stock Grant expenses	15	268		261	
Provision for (use of) cumulative inventory write-down	4	(486)		(324)	
Provision for (use of) long-term employee severance indemnities	14	(220)		(164)	
Provision for (use of) risk provision	15	(100)		(553)	
Changes in current assets and liabilities					
Trade receivables	5	(714)	(1)	(6,569)	(2)
Other current assets	7	(364)		(36)	
Inventories and contracts in process	4	4,279		(6,841)	
Trade payables	16	(7,200)	(487)	5,691	(184)
Other current liabilities	17	698		(87)	
Total adjustments and changes		**5,026**		**11**	
Cash flow generated (used) in operations		**1,908**		**(1,608)**	
CASH FLOW FROM INVESTMENT ACTIVITIES:					
Disposal of intangible assets					
Sales of tangible and intangible assets	1/2	(3)		16	
Interest income	30	(8)		9	
Purchase of intangible fixed assets	1	(2,753)		(3,660)	
Purchase of tangible fixed assets	2	(395)		(229)	
Purchase of own shares		-		(492)	
Decreases (Increases) other financial assets	8	(4)		(16)	
Net investments in long-term investments and non-current assets		51		61	
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		**(3,112)**		**(13,396)**	
CASH FLOW FROM FINANCING ACTIVITIES:					
Loans taken	13	5,343		7,143	
(Increases) decreases of loans to other Group companies	13	67		-	
Interest paid		(1,060)		(492)	
(Repaid) loans short and medium/long term	13	(6,536)		(5,046)	
Cash flow generated (absorbed) by financial assets		**(2,186)**		**1,605**	
Net foreign exchange difference		(3,292)		(195)	
Increases (decreases) in cash & cash equivalents		**(6,682)**		**(13,594)**	
Opening amount in cash & cash equivalents	**9**	**18,110**		**31,704**	
Cash & cash equivalents at end of period	**9**	**11,428**		**18,110**	

(*) Restated, see note F -Business combination

Explanatory notes to financial statements

A – Corporate information

The publication of the consolidated financial statements of the Eurotech Group for the financial year ended 31 December 2023 was authorised by resolution of the Board of Directors on 19 March 2024. 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 (UD), 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 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 2023, 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 applied the content of CONSOB Resolution No. 15519 of 27 July 2006 on the subject of financial statements.

The accounting standards adopted are the same as those used at 31 December 2022, albeit with regard to the updates to the reference framework that came into force on 1 January 2023, described below, which did not have significant impacts for the Group, as they regulate non-existent or insignificant cases.

Below is a brief description of the standards, amendments and interpretations that came into force on 1 January 2023.

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors – On 12 February 2021, the IASB published “Definition of Accounting Estimates (Amendments to IAS 8)” which replaced the definition of changes in accounting estimates with a definition in accounting estimates. 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.
These amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (Making Materiality Judgements) – The amendments to IAS 1 and IFRS *Practice Statement* 2 *Making Materiality Judgements* provide guidance and examples to help entities to apply the significant judgements to the disclosure of accounting policies. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and by adding guidance on how entities apply the concept of materiality in making accounting policy disclosure decisions. The amendments did not have any impact on the Group’s consolidated financial statements.

IAS 12 Income Taxes – Amendments to IAS 12 *Income Taxes* restrict the scope of application of the exception to opening recognition, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. These amendments had no impact on the Group's consolidated financial statements.

Amendments to IFRS 17 Insurance contracts – On 25 June 2020, the IASB published amendments aimed at reducing costs, simplifying some of the standard requirements, making it easier to illustrate financial services and facilitating transition, by postponing the date of entry into force of the standard to 2023 and 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 a further 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 aims at avoiding temporary accounting mismatches between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for financial statement readers.

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 Notes to the Consolidated Financial Statements.

The data used for consolidation have been taken from the income statements and statements of financial position 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 year over year is increasingly committed to responding to the challenges posed by climate change to improve the Group's resilience and seize the opportunities arising from the transition to a sustainable and low-carbon economy. To achieve these objectives, the initial step involves identifying the risks and opportunities related to the climate 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 increasing attention to assessing its potential effects in the individual development processes of the Group.

Going concern
The Directors of the Group have analysed various internal and external factors, also in view of the existing geopolitical situation, to identify risks on going concern. In this regard, the business plan approved by the Parent Company was evaluated on the basis of the plans prepared by the individual subsidiaries, the effect of order trends compared to last year was verified, current financial availability was assessed, credit facilities granted by credit institutions in the various countries in which it operates, which enable it to sustain the investments necessary to support business strategies, and also the economic environment in which the Group operates was considered.
The assumptions adopted in updating the 2024-2028 business plan, also supported by an external advisor, showed the need, in order to support the planned investments and generally the needs identified by management, to continue to rely on financial support from financial institutions or shareholders. The analysis carried out by management, which examined the treasury situation of the Parent Company and the Group companies over a time horizon of at least twelve months from the approval of these financial statements, considered the existing financial availabilities, the possibility of obtaining a waiver with reference to a loan on which financial parameters had not been met as of the closing date as well as the lines of financing granted and partially used in the Group companies and the mitigation actions taken, did not identify the presence of material uncertainties regarding the adoption of the going concern assumption, highlighting the availability of sufficient financial resources to meet the commitments made for both business operations and existing loans.

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.

The estimates at year-end are reviewed periodically and could lead to significant adjustments in the carrying value of the assets and liabilities within the subsequent financial period. The main estimates are used to recognise:

Impairment of non-financial assets
The Group periodically tests non-financial assets for the presence of any indicators of impairment.

Specifically, goodwill and other intangible assets with an indefinite useful life (trademarks) are tested for impairment at least once a year as well as whenever during the year, indicators are identified that the asset may be impaired.
Other non-financial assets, on the other hand, are tested for impairment when there are indications that the book value may not be recovered.
The test consists of comparing the carrying amount with its recoverable amount, identified as the higher of fair value less costs to sell and the estimated value in use of the assets, if separately identifiable, or of the cash-generating unit to which the asset belongs. Value in use is determined by discounting the expected cash flows from the unit using a rate that tines for the specific risk of the asset involved.
Expected cash flows are estimated on the basis of the most recent information available at the date of valuation and on the basis of assumptions about the development of future variables (selling prices, purchase costs, growth and interest rates). The directors' key assumptions are subsequently subjected to sensitivity analysis. As of December 31, 2023, the book value of goodwill amounted to Euro 66.80 million (2023: Euro 72.99 million after restating values). Further details are provided in note 1.

Deferred tax assets
Deferred tax assets are recognised against temporary differences and tax losses carried forward, to the extent that it is predictable and likely that there will be large future taxable profits against which such temporary differences can be absorbed and such losses can be utilised. Therefore, the Board of Directors is required to make a significant discretionary evaluation to determine the amount of deferred taxes that can be posted.

At 31 December 2023, the unrecognised tax losses carried by the Parent Company and the Allowance for Corporate Equity (ACE) on the basis of the tax consolidation were estimated at €47.8 million (2022: €43.8 million), which can be carried forward indefinitely. In the Group as a whole, unrecognised tax losses and ACE came to €48.7 million (2022: €45.0 million), which can be carried forward indefinitely.

Development costs
Development costs are recognized as asset as per the accounting standard described in Note E. Initial recognition of developments activities is based on the Directors' assessment of the technical and economic feasibility of the project, normally when the project itself has reached a certain stage in the development plan and it is likely that the asset will generate future economic benefits. In order to determine assets amounts, Directors need to make assumptions about expected future cash flows from developments projects, discount rates to be applied and timing with which benefits will accrue.

Other items subject to estimates
Estimates are also used to recognise provisions for risks on receivables, for inventory obsolescence and slow movement or impairment, defined benefit plans, manager and employee incentive plans, user rights, derivative instruments, taxes and provisions for risks and charges, to determine any total costs of jobs and the respective state of progress, in order to record deferred tax assets and 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 2023 are as follows:

Company name	Registered offices	Share capital	Group Share
Parent company			
Eurotech S.p.A.	Via Fratelli Solari, 3/A – Amaro (UD)	Euro 8,878,946	
Subsidiaries consolidated line by line			
Aurora S.r.l. in liquidation	Via Fratelli Solari, 3/A – Amaro (UD)	Euro 10,000	100.00%
EthLab S.r.l.	Via Dante, 300 – Pergine Valsugana (TN)	Euro 115,000	100.00%
Eurotech Inc.	Columbia – MD (USA)	USD 26,500,000	100.00%
Eurotech Ltd.	Cambridge (UK)	GBP 33,333	100.00%
E-Tech USA Inc.	Columbia – MD (USA)	USD 8,000,000	100.00%
Eurotech France S.A.S.	Lyon (France)	Euro 795,522	100.00%
I.P.S. Sistemi Programmabili S.r.l. in luquidation	Via Piave, 54 – Caronno Varesino (VA)	Euro 51,480	100.00%
InoNet Computer GmbH	Taufkirchen (Germany)	Euro 250,000	100.00%
Advanet Inc.	Okayama (Japan)	JPY 72,440,000	90.00% (1)
Affiliates consolidated at equity			
Insulab S.r.l.	Viale Umberto I 24/C – Sassari		40.00%
Rotowi Technologies S.p.A. in liquidation (formerly U.T.R.I. S.p.A.)	Via Carlo Ghega, 15 – Trieste		21.31%
Other smaller companies valued at fair value			
Kairos Autonomi Inc.	Sandy – UT (USA)		19.00%
Interlogica S.r.l.	Mestre (VE)		10.00%

(1) Officially, the Group owns 90% of the company, but as Advanet Inc. 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 2022 are as follows:

- 09.05.2023 Establishment of the company Insulab S.r.l. with registered office in Sassari and a shareholding of 40% of the share capital;
- 07.06.2023 Placement in liquidation of the company Aurora S.r.l.
-

The Consolidated Financial Statements at 31 December 2023 did not contain significant transactions or unusual events.

E – Accounting standards and policies

Accounting basis

The Consolidated Financial Statements consist of the Consolidated Income Statement, the Consolidated statement of comprehensive income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related Notes to the Consolidate Financial Statements.
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 income components, while the Cash Flow Statement is presented using the indirect method.

Consolidation policies

The Financial Statements of the subsidiaries used for consolidation, 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 it is recognised in the income statement. 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, functional 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. Conversion differences arising from a different exchange rate of income statement items and balance sheet amounts are recognised directly in a dedicated reserve of the shareholders' equity. 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 2023	As of December 31, 2023	Average 12M 2022	As of December 31, 2022
British pound sterling	0.86979	0.86905	0.85276	0.88693
Japanese Yen	151.99027	156.33000	138.02739	140.66000
USA Dollar	1.08127	1.10500	1.05305	1.06660

Accounting policies

The accounting standards and policies applied to draft the Consolidated Financial Statements at 31 December 2023 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. Internally generated intangible assets , with the exception 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 subject to impairment test 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 submitted at least annually to any impairment testing on an individual or cash-generating unit (hereinafter also "CGU") basis. 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 identified in a business combination is allocated, at acquisition date, to every 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 recognized as asset 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 expected, projects 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 12 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 purchase 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 IFRSs), is recognised according to fair value at the transition date as this value has long been regarded as a cost replacement 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, even if not as a controlling interest, 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.

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 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 from 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 comprehensive income. Any write-downs for impairment, interest income or profits or loss for exchange rate differences are recognised in the Income statement.

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.
Somen of the Group's loans require compliance with clauses set on contractually identified financial parameters, the measurement of which normally starts on the closing date of the financial year. When a clause in a long-term loan agreement is breached on or before the closing date, with the effect that the liability becomes a payable on demand, the Group, which does not enjoy an unconditional right to defer its settlement for at least 12 months after that date, classifies the liability as current. This is so even if the lender has agreed, after the fiscal year-end date and before the financial statements were authorized for publication, not to demand payment as a result of the breach.

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 other 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. The payments due for the lease are discounted using the implicit rate resulting from the contract if easily identifiable, otherwise the marginal loan rate, or the interest rate that should be paid, in a similar cost-effective context and for a loan with a duration and with similar guarantees, 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, assets consisting of the right of use are shown under tangible assets, lease liabilities under 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 reference to the commitments corresponding to leases of less than 12 months and excluded from accounting pursuant to IFRS 16, these are of 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 with 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 2023.
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 reporting date; they are recognised to the extent that it is more likely than not that sufficient income will be earned in the foreseeable future to allow all or part of this credit to be used.

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 also 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 has completed the purchase of 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 the entire financial year, while with reference to 2022 its contribution to the Group was for four months, i.e. from September (the month in which the acquisition took place) to December 2022.

In 2022, as a result of the short period between the date of acquisition and the end of the reporting period, the difference between the price paid and the assets acquired, based on the purchase method, was provisionally allocated in full to goodwill (provisional allocation). As required by IFRS 3, during 2023 and in particular after the publication of the consolidated financial statements of the Group for the year ended 31 December 2022, also with the support of an indipendent expert, the fair value of the net assets acquired was definitively identified (purchase price allocation).
There was no restatement of the identified book values but rather of the allocation of the difference between the price paid and the acquired assets.

(€'000)	Value recognized for acquisition	Book value
ASSETS		
Intangible assets	9,351	186
Property, Plant and equipment	3,900	3,900
Deferred tax assets	13	13
Total non-current assets	**13,264**	**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	**18,138**	**8,973**
LIABILITIES		
Medium-/long-term borrowing	(3,820)	(3,820)
Deferred tax liabilities	(1,095)	(43)
Other non-current liabilities	(77)	(77)
Total non-current liabilities	**(4,992)**	**(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	**(7,788)**	**(6,736)**
Total liabilities and shareholders' equity	**(7,788)**	**(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 composed of a spot-settled price of €9,450 thousand, a liability to be settled in a deferred manner by means of Eurotech S.p.A. shares as an earn-out of €900 thousand, and ancillary costs directly attributable to the acquisition of €913 thousand referring to relevant legal, notary and tax costs and other costs for professional services.
The value of the initially identified estimated earn-out liability will be periodically remeasured in relation to the revaluation of the extent and probability of achieving a set of objectives of the acquired component underlying the disbursement as well as the value of the shares to be granted.

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	0
Net liquidity used	**10,363**
Financial liabilities related to the earn-out	**900**

With respect to the provisional allocation resulting from the Group's consolidated financial statements at 31 December 2022, the identification of the fair values of the net assets acquired (purchase price allocation) was completed with the support of an independent expert and led to the identification of the following other intangible assets with a definite useful life and separate from goodwill:

- customers relationships for an amount of €1,734 thousand, gross of the tax effect (€462 thousand):
- trademark with a defined useful life, for an amount of €2,210 thousand gross of the tax effect (€590 thousand).

Based on the information available, a 15-year repayment plan was envisaged for the higher values attributed to customer relations and 12 years for the trademark. The impact on the income statement of these amortisation for 2023 was €298 thousand, while it would have been €99 thousand in 2022.

Based on the identification and recognition of intangible assets and the related tax liabilities described above, the value of goodwill provisionally identified of €8,113 thousand at 31 December 2022, underwent a reduction of €2,892 thousand, with consequent settlement of the goodwill arising from the acquisition of €5,221 million. The 2022 comparative disclosure was restated to reflect the adjustment with respect to the provisional value. The increase in amortisation of intangible assets from the date of acquisition to 31 December 2022 amounted to €99 thousand, net of tax effects (€26 thousand), while the Group's shareholders' equity at 31 December 2022 therefore decreased by €73 thousand: both amounts, including the accounting effects described for the individual lines, have been correctly restated in the comparative data.

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 2023	FY 2022	% YoY Change	FY 2023	FY 2022	% YoY Change	FY 2023	FY 2022	% YoY Change	FY 2023	FY 2022	% YoY Change	FY 2023	FY 2022	% YoY Change
Third party Sales	24,842	39,728		42,445	25,900		26,469	28,636		0	0		93,756	94,264	
Infra-sector Sales	751	2,324		4,145	6,064		607	428		(5,503)	(8,816)		0	0	
Total Sales revenues	25,593	42,052	-39.1%	46,590	31,964	45.8%	27,076	29,064	-6.8%	(5,503)	(8,816)	-37.6%	93,756	94,264	-0.5%
Gross profit	11,386	16,926	-32.7%	21,274	12,385	71.8%	13,673	13,758	-0.6%	(1,910)	(676)	182.5%	44,423	42,393	4.8%
Gross profit margin - %	44.5%	40.3%		45.7%	38.7%		50.5%	47.3%					47.4%	45.0%	
EBITDA													5,280	6,264	-15.7%
EBITDA margin - %													5.6%	6.6%	
EBIT													(2,449)	751	-426.1%
EBIT margin - %													-2.6%	0.8%	

The sales performance broken down by geographic area set out in the table above shows a significant increase in the Europe area due to the different contribution of InoNet, with decreases in the other areas.
The table below shows assets and investments in the Group's individual business areas at 31 December 2023 and 31 December 2022.

(€'000)	North America		Europe		Asia		Correction, reversal and elimination		Total	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Assets and liabilites										
Segment assets	34,728	48,009	82,186	93,161	67,677	76,591	-29,622	-41,607	154,969	176,154
Investments in subsidiaries non consolidated, associate & other companies	117	123	431	426	0	0	0	0	548	549
Total assets	**34,845**	**48,132**	**82,617**	**93,587**	**67,677**	**76,591**	**-29,622**	**-41,607**	**155,517**	**176,703**
Segment liabilities	27,806	40,569	44,310	48,696	17,779	22,558	-29,697	-41,562	60,198	70,261
Total liabilities	**27,806**	**40,569**	**44,310**	**48,696**	**17,779**	**22,558**	**-29,697**	**-41,562**	**60,198**	**70,261**
Other segment information										
Investments in tangible assets	8	30	893	193	871	44	0	0	1,772	267
Investments in intangible assets	159	334	2,493	3,138	101	188	0	0	2,753	3,660
Depreciation & amortisation	1,265	1,081	5,168	3,269	1,098	1,263	198	-1	7,729	5,612

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 previous and 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	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 2022	**4,471**	**69,721**	**9,512**	**4,339**	**-**	**88,043**
Purchases	554	-	126	2,980	-	3,660
Changes in consolidation area	267	5,221	2,482	100	1,734	9,804
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)	-	(798)	-	(38)	(3,784)
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 2022	**1,788**	**3,158**	**1,440**	**(1,552)**	**1,696**	**6,530**
Purchase or production costs	21,495	81,407	26,221	2,843	27,814	159,780
Impairment	(778)	(8,528)	(8,065)	(56)	-	(17,427)
Cumulative amortisation	(14,458)	-	(7,204)	-	(26,118)	(47,780)
CLOSING BALANCE 2022	**6,259**	**72,879**	**10,952**	**2,787**	**1,696**	**94,573**

(*) Restated, see note F -Business combination

(€ '000)	DEVELOPMENT COSTS	GOODWILL(*)	SOFTWARE TRADEMARKS PATENTS (*)	ASSETS UNDER CONSTRUCTION & ADVANCES	OTHER INTANGIBLE ASSETS(*)	TOTAL INTANGIBLE ASSETS
Purchase or production cost	21,495	81,407	26,221	2,843	27,814	159,780
Previous years' impairment	(778)	(8,528)	(8,065)	(56)	-	(17,427)
Previous years' amortisation	(14,458)	-	(7,204)	-	(26,118)	(47,780)
OPENING BALANCE 2022	**6,259**	**72,879**	**10,952**	**2,787**	**1,696**	**94,573**
Purchases / Additions	53		79	2,512	109	2,753
Disposals	(1,302)		(16)			(1,318)
Other changes	(474)	(4,907)	(1,093)	(5)	(2,390)	(8,869)
Impairment in period	(666)	(1,389)		(25)		(2,080)
Transfers	1,795			(1,864)	69	-
Amortisation in period	(2,962)		(619)		(150)	(3,731)
Reversal of cumulative amortisation	1,302		16			1,318
Other changes in cumulative impairment	11	238	69			318
Other changes in cumulative amortisation	295		178		2,390	2,863
TOTAL CHANGES 2023	**(1,948)**	**(6,058)**	**(1,386)**	**618**	**28**	**(8,746)**
Purchase or production costs	21,567	76,500	25,191	3,486	25,602	152,346
Impairment	(1,433)	(9,679)	(7,996)	(81)	-	(19,189)
Cumulative amortisation	(15,823)	-	(7,629)	-	(23,878)	(47,330)
CLOSING BALANCE 2023	**4,311**	**66,821**	**9,566**	**3,405**	**1,724**	**85,827**

(*) Restated, see note F -Business combination

The decrease in intangible assets is the cumulative effect of investments, which for the year amounted to €2,753 thousand, amortisation and write-downs which amounted to €5,811 thousand, and the change in exchange rates (shown in the item related to other changes) which decreased intangible assets by a net amount of €5,688 thousand.

Investments refer primarily to recognition of development costs by the Group companies and to costs incurred for improvements to right of use assets.
The other changes refer to the exchange differences accrued on the opening balances of the values expressed in foreign currency (and in particular for goodwill and trademarks that include the value defined when allocating the price of the related acquisitions), in addition to the reversal of intangible assets entirely amortised during the previous year.

The trademarks includes the valuation of the "InoNet" trademark following the acquisition of the company of the same name, which is subject to amortisation, and the "Advanet" trademark, which was recognised at the time of the acquisition of the Group of the same name, and which continues to be defined by the Directors as an asset with an indefinite useful life, as its use for commercial and production purposes is deemed to have no defined

time limits, taking into account its characteristics and positioning in the Japanese market. As a result, this value is not subject to amortisation but is subject at least annually to an impairment test.

Goodwill refers to the overall higher value recognized, when fully-consolidated subsidiaries were acquired, in excess of the fair value of the assets and liabilities acquired from time to time. Goodwill is not subject to amortisation but is tested for impairment at least annually.
As a result of the definitive allocation deriving from the acquisition of InoNet mentioned above, the value of goodwill was restated at €5,221 thousand, compared to the amount reported in the financial statements of the previous year, i.e. €8,113 thousand. As required by IFRS 3, a specific analysis of the consideration paid was carried out in order to determine the fair value of the net assets acquired and liabilities assumed. The value at 31 December 2022 was therefore restated by adjusting the provisional amounts recognised last year at the time of acquisition with retrospective effect from the acquisition date.

At the end of 2023, following the results of the impairment test, it was deemed necessary to write down the goodwill related to the English subsidiary Eurotech Ltd. by €1,389 thousand.No write-down was necessary in 2022.

The increase in development costs related 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 impairment indicators are identified. The Directors, on the basis of existing and prospective opportunities, consider the recognised values to be reasonably recoverable. During the year, as a result of the analyses performed, write-downs of €691 thousand were recorded.

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 several additional software licenses.

The “assets in progress” item of €3,405 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 trademarks allocated to each of the cash-generating units:

In order to carry out the annual impairment test, the individually posted 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, 2023		at December 31, 2022	
Cash generating units	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Inc.	35,673	6,774	39,647	7,529
InoNet Computer GmbH	5,221	-	5,221	-
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	22,201	-	22,997	-
Eurotech Ltd. (ex Arcom Ltd.)	3,636	-	4,924	-
Other	90	-	90	-
TOTAL	**66,821**	**6,774**	**72,879**	**7,529**

(*) Restated, see note F -Business combination

The recoverable amounts of the individual CGUs were calculated according to the greater between the value in use, which was determined using the discounted cash flow (DCF) method, and the related fair value. The projected cash flows set out in the 2024-2028 operating and financial plan, approved by the directors of the Parent Company by resolution of 11 March 2024 (hereinafter the "Plan"), were discounted and used to calculate the value of the CGUs, 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 normalized cash flows of the fifth year of the approved plan. The plans were prepared in the respective functional currencies, and the consequent recoverable amounts 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 was between 1.2% and 2.4%, depending on the long-term average inflation rate in the different markets (in 2022 was 1.5% for all CGUs). The discount rate (WACC – Weighted Average Cost of Capital) applied to prospective cash flows is different depending on the different contributions of the main business lines to the Plan in the various years, and was consequently weighted. The WACC therefore varies within a range of 5.81% to 12.04% 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:

	JAP	USA	GER	UK
Risk free	0.69%	4.30%	2.58%	4.36%
Premium	6.10%	5.70%	5.70%	6.00%
Beta unlevered	from 0.84 to 1.09	from 0.84 to 1.12	1.11	from 0.84 to 1.12
WACC	5.81%	11.26%	10.02%	12.04%
g rate	1.20%	2.40%	2.00%	1.90%

With reference to the test performed on the CGUs of the Group’s consolidated financial statements, the rates of return of government bonds with a 10-year maturity of the relevant countries – Japan, USA, UK and Germany – in the six-month time period prior to 31 December 2023, were used as risk-free benchmarks.
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 " Fernandez 2023 -Consensus for Italy”.

The unlevered beta used, which is slightly different for the Board&System and IoT business lines, corresponds for all CGUs considered to the average value observed for the Parent Company's "comparable" listed companies on the various main business lines (including the Parent Company itself), from source S&P Capital IQ. For calculation of the WACC for the CGUs, this beta factor was considered in the re-levered version, taking into consideration the leverage effect resulting from the average ratio of debt to market capitalisation of the sector, and the tax rate of the CGU's country of reference.
Taking into account the assumptions underlying the 2024-2028 business plans and the use of the main parameters identified for the individual reference markets, the values in use resulting from the impairment tests performed, with the exception of the CGU related to Eurotech Ltd., did not show the need to make any reductions in the value of goodwill and trademarks with an indefinite useful life (goodwill and trademarks recognised in the CGU Advanet Inc.) with the exception of the goodwill of the CGU Eurotech Ltd..
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.
With regard to the values related to the IoT business line, on all CGUs and in line with what was done last year, an additional Risk Premium of between 3.0 and 3.5% was included in the WACC calculation to reflect the generic riskiness of a business that is not yet in a mature stage.
The WACCs calculated showed an increase in some cases and a decrease in others compared to 31 December 2022 (decrease of 0.15% for the US, 0.05% for the UK and 0.38% for Germany instead of an increase of 0.35% for Japan) attributable to the trend of the risk-free rates and unlevered beta.
As mentioned above, following the results of the impairment tests, it was deemed necessary to write down the goodwill related to the British subsidiary Eurotech Ltd. by €1,389 thousand.
The recoverability of the values of intangible assets related to the acquisition of the various CGUs appears to be conditional upon on the occurrence of possible changes in the key assumptions used to estimate them. The higher book values compared to the recoverable values is would occur differently for each CGU.
In this regard, some sensitivity analyses were prepared in order to assess the volatility of the results obtained as a result of the change in some parameters considered in the valuation exercise, such as WACC and g-rate, WACC and EBITDA reduction over the Plan horizon. The sensitivity analyses carried out showed potential losses in value in the event of a deterioration of even individual parameters.
Other conditions being equal, the WACC of the Terminal Value that would cause an impairment should be equal to or higher than 11.30% for Eurotech Inc. (the CGU for which the differential between carrying value and recoverable value is minimal as of December 31, 2023), 6.97% for Advanet Inc. and 31.62% for InoNet Computer GmbH.
Acknowledging that, base on the fact that the individual CGUs are still in an expansion phase, the terminal values are significant (even more than 92% of the “value in use”), some assumptions of a significant reduction in EBITDA were analysed on a like-for-like basis of other items of the statement of financial position.
Sensitivity analyses returned an impairment for CGU Eurotech Inc. of approximately EUR 1 million in the event that, other conditions of the test being equal, EBITDA over the plan horizon were to be reduced by 5% (EUR 2.4 million with a 10% reduction); conversely, a 10% reduction in the same indicator over the plan horizon would not result in impairments for CGUs Advanet and InoNet. No further sensitivity analysis were carried out for CGU Eurotech Ltd, whose goodwill impairment has already equated its book value with its recoverable value as of December 31, 2023.
Compared to last year, long-term growth assumptions more in line with the current situation have also been applied, using a value between 1.2% and 2.4% depending on the reference country (1.5% was the value used last year, for all the countries), to reflect the expectation of inflation more closely.
In the preparation of the second level test with reference to the Group as a whole, the WACC approach for the reference CGUs was confirmed. The risk-free rate was determined as the weighted average (taking into account 2023 revenues) of the returns of the six months prior to 31 December 2023 of the Government Bonds of the countries in which the Group operates. In particular, for Italy, the 30-year maturity was considered, while for countries for which the Government Bonds were not liquid, a nominal Risk Free rate was used, calculated as the sum of the 10-year Government Bond yield of countries with a AAA rating (US) 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 (CDSs) of the reference country and the US CDSs (AAA rating), a methodology supported by an external advisor and consistent with that adopted last year.

Generally, the Directors also assumed in their assessments that despite the current external indicators (particularly Eurotech's stock market performance and market capitalisation) that there were no further risks of impairment of the net assets, as noted on a number of occasions, with respect to what has already been considered in performing impairment tests, both with respect to the assumptions made in preparing prospective cash flows and in identifying appropriate discount rates.
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 assets. 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, together with external indicators are regarded by the Directors as important factors to justify the current amounts considered and therefore not modifying the posted amounts. In addition, the directors assessed, among the qualitative elements that are considered in identifying indicators of impairment, the evolution of the Group's strategic choices for each of the identified CGUs, including with reference to the expected development of the IoT business line, which in some geographies is expected to be of predominant value compared to the Board & Systems business line, for which plans do not foresee further development in the U.S. market.
A further analysis made by management, also in relation to recent market and economic conditions, determined that it would not be necessary to further reduce the amounts recorded.

2 – Property, plant and equipment

The following table shows the development of historical cost and accumulated depreciation and the valuation of tangible fixed assets in the previous period and in the period under review:

(€ '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 2022	**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 2022	**(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 2022	**1,635**	**362**	**273**	**483**	**-**	**4,672**	**7,425**

(€ '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	2,173	4,977	5,719	5,750	-	9,544	28,163
Previous year's depreciation	(538)	(4,615)	(5,446)	(5,267)	-	(4,872)	(20,738)
OPENING BALANCE 2023	**1,635**	**362**	**273**	**483**	**-**	**4,672**	**7,425**
Purchases / Additions	9	36	140	208	2	1,377	1,772
Disposals	-	(93)	(32)	(37)	-	(2,149)	(2,311)
Other changes	(4)	(305)	(219)	(155)	-	(375)	(1,058)
Depreciation in period	(59)	(74)	(140)	(221)	-	(1,424)	(1,918)
Reversal of cumulative depreciation	-	93	32	37	-	2,152	2,314
Other changes in cumulative amortisation		284	207	139	-	331	961
TOTAL CHANGES 2023	**(54)**	**(59)**	**(12)**	**(29)**	**2**	**(88)**	**(240)**
Purchase or production cost	2,178	4,615	5,608	5,766	2	8,397	26,566
Cumulative depreciation	(597)	(4,312)	(5,347)	(5,312)	-	(3,813)	(19,381)
CLOSING BALANCE 2023	**1,581**	**303**	**261**	**454**	**2**	**4,584**	**7,185**

The "Land and buildings" item amounting to €1,581 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 €36 thousand in plant and machinery, €140 thousand in industrial and commercial equipment and €208 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, some contracts were extended, new ones were signed, some were closed and others were replaced with a new contact. 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. Depreciation recognised with reference to the “Rights of use” assets during the year amounted to a total of €1,424 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:

(€'000)	at December 31, 2023 INITIAL VALUE	INCREASES	WRITE-UPS /WRITE-DOWN	OTHER	EOP VALUE	% OWNERSHIP
Investments in associate companies (valuation using the equity method):						
Insulab S.r.l.	-	4	-		4	40.00%
Rotowi Technologies S.r.l. in liquidazione (ex U.T.R.I. S.p.A.)	-	-	-	-	-	21.32%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	**-**	**4**	**-**	**-**	**4**	
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	122	-	-	(5)	117	19.00%
Others	1	-	-		1	
TOTAL INVESTMENTS IN OTHER COMPANIES	**549**	**-**	**-**	**(5)**	**544**	

At 31 December 2023, the Eurotech Group held a 40% interest in connection with the newly established company Insulab S.r.l. and 21.32% in Rotowi Technologies S.p.A. (formerly UTRI S.p.A.), following subsequent purchases of shares in 2007 and 2008. In 2010, this affiliate had submitted a debt restructuring plan pursuant to Art. 182-bis of the Italian Financial Law, which had already resulted in an assessment of the non-recoverability of the value recorded 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 2022, as operating and financial information for year-end 2023 is not yet available.

(€'000)	At December 31, 2023 Rotowi Tech.	At December 31, 2022 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	**-**	**-**
Reserve for losses on equity interests in affiliates	**-**	**-**

(*) FY2020

4 – Other non-current assets

The table below shows the breakdown of other non-current assets at 31 December 2023 and 31 December 2022:

(€'000)	at December 31, 2023	at December 31, 2022
Other non-current receivables	502	552
TOTAL OTHER NON CURRENT ASSETS	**502**	**552**

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 2023 and 31 December 2022:

(€'000)	at December 31, 2023	at December 31, 2022
Raw & auxiliary materials and consumables - gross	16,076	19,155
Inventory write-down provision	(2,410)	(2,482)
Raw & auxiliary materials and consumables - net	**13,666**	**16,673**
Work in process and semi-finished goods - gross	740	1,675
Inventory write-down provision	(256)	(114)
Work in process and semi-finished goods	**484**	**1,561**
Finished poducts and goods for resale - gross	9,349	10,596
Inventory write-down provision	(2,318)	(3,083)
Finished products and goods for resale - net	**7,031**	**7,513**
Advances	**706**	**1,107**
TOTAL INVENTORIES	**21,887**	**26,854**

Inventories at 31 December 2023 amounted to €21,887 thousand (€26,854 thousand at 31 December 2022), net of inventory write-down provisions totalling €4,984 thousand. The provision starkly decrease of €695 thousand mainly due to the negative exchange rate effect combined with a balance between uses following specific scrapping and provisions implemented 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, 2023	at December 31, 2022
OPENING BALANCE	**5,679**	**5,627**
Provisions	1,099	568
Other changes	(209)	376
Utilisation	(1,585)	(892)
CLOSING BALANCE	**4,984**	**5,679**

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 €2,410 thousand refers to obsolete or slow moving materials, whose full posted value some Group companies do not expect to recover. The use for the year amounted to €72 thousand.
The finished products write-down provision of €2,318 thousand, which covers the risk of slow turnover in certain standard and custom finished products, decreased by €765 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 2023 and 31 December 2022:

(€'000)	at December 31, 2023	at December 31, 2022
Trade receivables - customers	20,530	20,561
Trade receivables - realted paties	1	8
Doubtful debt provision	(648)	(663)
TOTAL TRADE RECEIVABLES	**19,883**	**19,906**

Trade receivables falling due within 12 months are normally non-interest bearing and generally fall due at 90/120 days.
Net trade receivables decreased by €23 thousand compared to 31 December 2022. The value of bank receipts presented subject to collection amounted to €891 thousand. Many of the existing receivables have been collected as of the date of preparation of these notes.

Receivables are shown net of a doubtful debt provision of €648 thousand. Changes in doubtful debt provision in the years under review were as follows:

(€'000)	at December 31, 2023	at December 31, 2022
OPENING BALANCE	**663**	**393**
Provisioning	68	260
Other changes	(1)	25
Utilisation	(82)	(15)
CLOSING BALANCE	**648**	**663**

Provisions of €68 thousand made during the year was necessary to adjust 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 2023, ageing of trade receivables t were as follows:

€ '000	Total	Not overdue	< 30 days	30 - 60 days	60 - 90 days	90 - 180 days	Over 180 days
2023	20,531	17,763	1,587	301	119	243	519
2022	20,569	17,469	2,064	143	143	125	625

Receivables over 180 days accounted for 2.5% of trade receivables at 31.12.2023, which was lower than the 3.0% figure for 2022. 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 2022, the value increased by €457 thousand from €749 thousand in 2022 to €1,206 thousand in 2023.

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 €1,579 thousand (2022: €189 thousand), those for Italian tax payables amounted to €200 thousand (2022: €1,260 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 2023 and 31 December 2022:

(€'000)	at December 31, 2023	at December 31, 2022
Advance payments to suppliers	441	238
Tax receivables	391	157
Other receivables	70	716
Accrued income and prepaid expenses	1,249	1,163
TOTAL OTHER CURRENT ASSETS	**2,151**	**2,274**

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 2023 and 31 December 2022:

(€'000)	at December 31, 2023	at December 31, 2022
Bank and post office deposits	11,425	18,096
Cash and valuables in hand	3	14
TOTAL CASH & CASH EQUIVALENTS	**11,428**	**18,110**

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 €11,428 thousand (€18,096 thousand at 31 December 2022). The item shows a decrease compared to 31 December 2022 of €6,671 thousand, attributable to the use for the management of operations.

10 – Other financial assets

The recorded amount of €143 thousand (2022: €139 thousand) refers for €112 thousand to a three-year insurance policy and for €31 thousand to an investment of liquidity in low-risk funds.

11 – Net financial position

The table below shows the Group's net financial position at 31 December 2023 and 31 December 2022:

(€'000)		at December 31, 2023	at December 31, 2022
Cash	A	11,428	18,110
Cash equivalents	B	-	-
Other current financial assets	C	245	344
Cash equivalent	**D=A+B+C**	**11,673**	**18,454**
Current financial debt	E	4,547	2,241
Current portion of non-current financial debt	F	13,474	14,015
Short-term financial position	**G=E+F**	**18,021**	**16,256**
Short-term net financial position	**H=G-D**	**6,348**	**(2,198)**
Non current financial debt	I	13,481	15,785
Debt instrument	J	-	-
Trade payables and other non-current payables	K	740	900
Medium-/long-term net financial position	**L=I+J+K**	**14,221**	**16,685**
(NET FINANCIAL POSITION) NET DEBT ESMA	**M=H+L**	**20,569**	**14,487**
Medium/long term borrowing allowed to affiliates companies and other Group companies	N	-	66
(NET FINANCIAL POSITION) NET DEBT	**O=M-N**	**20,569**	**14,421**

The consolidated net financial position at 31 December 2023 amounted to a net debt of €20.57 million, compared to €14.42 million at 31 December 2022. The adoption of the IFRS 16 accounting standard meant the recognition by Group companies of financial liabilities for rights of use at 31 December 2023 equal to €4.69 million (€4.72 million at 31 December 2022).

The item short-term loans payable includes the medium-long term portion (€1,498 thousand) of an outstanding loan with respect to which, on the basis of the final consolidated data as of December 31, 2023, one of the covenants set forth in the respective loan agreement has not been met.

Based on the application of the provisions of IAS 1.65, therefore, the Eurotech Group has classified as current the portion of the medium/long-term loan that, based on the original maturity, as of December 31, 2023 is due beyond 12 months.

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, 2023	Cash flows	Fair value changes	Exchange differences	Other non monetary transactions	at December 31, 2023
Short and Medium-/long-term borrowing	32,041	184	-	(723)	-	31,502
Medium/long term borrowing allowed to affiliates companies and other Group companies	(66)	67	-	(1)	-	-
Other current financial assets	(139)	-	(4)	-	-	(143)
Derivative instruments	(205)	-	103	-	-	(102)
Total Liabilities arising from financing activities	**31,631**	**251**	**99**	**(724)**	**-**	**31,257**

(€'000)	at January 1, 2022	Cash flows	Fair value changes	Exchange differences	Other non monetary transactions	at December 31, 2022
Short and Medium-/long-term borrowing	25,672	6,805	-	(329)	(88)	32,060
Medium/long term borrowing allowed to affiliates companies and other Group companies	(62)	1	-	(4)	-	(65)
Other current financial assets	(123)	2	(15)	-	-	(136)
Derivative instruments	7	18	(211)	4	-	(182)
Total Liabilities arising from financing activities	**25,494**	**6,826**	**(226)**	**(329)**	**(88)**	**31,677**

12 – Shareholders' equity

The table below shows the breakdown of shareholders' equity at 31 December 2023 and 31 December 2022:

(€'000)	at December 31, 2023	at December 31, 2022 (*)
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(49,960)	(38,837)
Group shareholders' equity	**95,319**	**106,442**
Equity attributable to minority interest	**-**	**-**
Total shareholders' equity	**95,319**	**106,442**

(*) Restated, see note F -Business combination

The share capital at 31 December 2023 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 2023 was €1,776 thousand.

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

The "Other Reserves" as of December 31, 2023 has a negative value for €49,960 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 €375 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 €51,270 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 2022 results and the recognition of the Performance Share Plans as described in Note 16.

The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IFRS 9, was positive for €102 thousand and decreased by €103 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 €3,380 thousand. This reserve was decreased by €2,449 thousand during the year.

The Parent Company Eurotech S.p.A. held 240,606 treasury shares at the end of the year (255,606 at the end of 2022). The change as shown in the table below relates to the purchase of new treasury 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 2023	**255,606**	**64**	**0.72%**	**703**	**2.75**
Purchases	-	-	0.00%	-	
Sales	-	-	0.00%	-	
Assignment-Performance share Plan	(15,000)	(4)	-0.04%	(41)	2.75
Status as at 31 December 2023	**240,606**	**60**	**0.68%**	**662**	**2.75**

As of the date of this document and for all comparative periods presented, there are no minorities in the Group.

13 – Basic and diluted earnings (losses) per share

Basic earnings (losses) per share 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 2022 and 2023 that diluted earnings per share.

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

	at December 31, 2023	31.12.2202 (*)
Net income (loss) attributable to parent company shareholders	(3,118,000)	(1,619,000)
Weighted average number of ordinary shares including own shares	35,515,784	35,515,784
Own shares	(251,209)	(127,200)
Weighted average number of ordinary shares except own shares	35,264,575	35,388,584
Weighted average number of ordinary shares except own shares for share diluted	35,264,575	35,388,584
Net income (loss):		
- per share	**(0.088)**	**(0.046)**
- per share diluted	**(0.088)**	**(0.046)**

(*) Restated, see note F -Business combination

14 – Borrowings

The table below shows the breakdown of medium- to long-term financial payables at 31 December 2023:

TYPE (€'000)	COMPANY	BALANCE ON 31.12.2022	BALANCE ON 31.12.2023	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months	Long term Over 5 years
CURRENT OUTSTANDINGS - (a)		**4,086**	**4,547**	**4,547**	**-**	**-**	**-**
Lease liabilities		4,723	4,689	1,131	3,558	2,208	1,350
TOTAL OTHER FINANCINGS - (b)		**4,723**	**4,689**	**1,131**	**3,558**	**2,208**	**1,350**
Unsecured loans	Eurotech S.p.A.	16,727	16,302	8,650	7,652	7,097	555
Unsecured loans	Advanet Inc.	6,505	5,964	3,693	2,271	2,271	-
TOTAL BANK DEBT - (c)		**23,232**	**22,266**	**12,343**	**9,923**	**9,368**	**555**
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		**27,955**	**26,955**	**13,474**	**13,481**	**11,576**	**1,905**
TOTAL DEBT - [(a) + (b) + (c)]		**32,041**	**31,502**	**18,021**	**13,481**	**11,576**	**1,905**

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 €4,547 thousand (€4,086 thousand in 2022).

Other loans

Other loans refer to:

- a residual payable of €4,689 thousand (of which €3,558 thousand was medium-term) for leases accounted for in accordance with IRS 16. The amount related to the payable over five years amounted to €1,350 thousand.

Bank loans

Bank loans refer mainly to:

- some loans granted between 2020 and 2023 to Advanet Inc. by three local banks for a total remaining amount of €5,964 thousand, fully payable within 12 months for €3,693 thousand, to boost the Japanese company's working capital;
- some loans granted to the Parent Company by various banks in recent years for a total residual amount of €2,756 thousand (of which €259 thousand medium-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 €7,673 thousand (of which €3,444 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 €3,247 thousand (of which €2,499 thousand medium-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 €848 thousand was made (of which €790 thousand is medium-long term and includes the amount of €555 thousand over 5 years) to support the liquidity used for the purchase of the building of the registered office;
- a loan granted to the Parent Company by a bank at the end of 2023 covering "internationalisation" for a total residual amount of €1,778 thousand (of which €1,373 thousand medium-long term) guaranteed by the Government or SACE to support investments aimed at sustaining the Parent Company's internalisation;
- .

In order to manage interest rate risk, unsecured loans taken out prior to 2023 were entered into on a fixed-rate basis or were fully or partially covered by IRS. Those taken out in 2023 are at floating rate and subject to the market.
All the covenants were honoured at 31 December 2023.
As of December 31, 2023, the Group has not complied with the financial covenants under a loan agreement and has therefore reclassified the related medium- to long-term portion as a current financial liability, in the amount of 1.5 million euros. The Directors believe it is likely that an agreement will be reached with the lender, which could at least allow the original maturities of the granted loan facility to be maintained.
All bank loans out as of December 31, 2023, 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 2023 and 31 December 2022:

(€'000)	at December 31, 2023	at December 31, 2022
Employees' leaving indemnity	330	321
Foreing Employees' leaving indemnity	2,052	2,183
TOTAL EMPLOYEES' BENEFITS	**2,382**	**2,504**

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 2023 and 31 December 2022:

	Italy		Japan	
(€ '000)	at December 31, 2023	at December 31, 2022	at December 31, 2023	at December 31, 2022
Projected benefit obligation at the beginning of the period	**321**	**380**	**2,183**	**2,464**
Curtailment effect	-	-	-	-
Current Service cost	6	6	192	227
Interest cost	9	10	24	9
Other changes		10	(130)	(184)
Pensions paid	(4)	(21)	(121)	(154)
Recognized actuarial gains or losses	(2)	(64)	(96)	(179)
Projected benefit obligation at the end of the period	**330**	**321**	**2,052**	**2,183**

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

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:

	Italy		Japan	
	at December 31, 2023	at December 31, 2022	at December 31, 2023	at December 31, 2022
Discount Rate	4.00%	3.00%	1.00%	0.00%
Expected rates of future wages and salary increases	2.00%	3.00%	1.00%	1.00%
Expected rates of staff turnover	1.81%	2.66%	1.00%	1.00%
Duration	17	16	19	19

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

	Italy		Japan	
(€ '000)	at December 31, 2023	at December 31, 2022	at December 31, 2023	at December 31, 2022
Projected benefit obligation at the beginning of the period	**321**	**380**	**2,183**	**2,464**
Current Service cost	6	6	192	227
Interest cost	9	10	24	9
Other changes		10	(130)	(184)
Pensions paid	(4)	(21)	(121)	(154)
Recognized actuarial gains or losses	(2)	(64)	(96)	(179)
Projected benefit obligation at the end of the period	**330**	**321**	**2,052**	**2,183**

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.

	Italy		Japan	
(€ '000)	at December 31, 2023	at December 31, 2022	at December 31, 2023	at December 31, 2022
Projected benefit obligation	**330**	**321**	**2,052**	**2,183**
Provisions for pensions charged to balance sheet	**330**	**321**	**2,052**	**2,183**
Current Service cost	6	6	192	227
Interest cost	9	10	24	9
Recognized actuarial gains or losses	(2)	(64)	(96)	(179)
Costs charged to income statement	**13**	**(48)**	**120**	**57**

During 2023, the Group also allocated a share of no less than 0.16% of the annual turnover of Eurotech S.p.A., equal to 0.04% of the Group's turnover, to an employee welfare plafond for an amount of no less than €15 thousand.

16 – Share-based payments

"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.

With reference to the third cycle of the plan in which 500,000 units were allocated in 2023, the time period considered concerns the years 2023-2025 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 2025 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 2023, 500,000 units relating to the third cycle and 427,928 units relating to the first cycle were assigned due to the non-achievement of the pre-established objectives.

	Year 2023			Year 2022		
	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)
Performance Share Plan 2021						
Nr. Unit at the begining of the period	882,540	3,449	197	440,142	2,065	39
Nr. Unit Granted during period	500,000	1,136	-	454,612	1,441	196
Nr. Unit Cancelled during period	(427,928)	(2,008)	(182)	(12,214)	(57)	(4)
Nr. Unit assigned during period	-	-	-	-	-	-
Nr. Unit Outstanding at the end of the period	954,612	2,577	15	882,540	3,449	231

At the reporting date the company had recorded a cost of €15 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 a total of €393 thousand.

The total fair value at 31 December 2023 of the first and second cycles of the Plan, determined at the assignment date by the Board (or at the respective grant dates) and revised (as far as the first cycle is concerned, since none of the identified conditions have been met) was €589 thousand.
With reference to the third cycle, although the shares were allocated in the last days of the year, no fair value was determined since part of the assigned targets have to be valued.

"EUROTECH S.p.A. 2022 Incentive Plan" (hereinafter referred to as "PSP 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 2023, an additional 176,000 units were assigned with respect to the 57,000 units already assigned in 2022. In addition, the conditions for the early allocation, with respect to the conclusion of the vesting period, of 15,000 units were met. At the reporting date the company had recorded a cost of €253 thousand in the income statement, whose contra entry was recognised in shareholders' equity.

	Year 2023			Year 2022		
	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)
Performance Share Plan 2022						
Nr. Unit at the begining of the period	57,000	173	57	-	-	-
Nr. Unit Granted during period	176,000	559	196	57,000	173	30
Nr. Unit Cancelled during period	-	-	-	-	-	-
Nr. Unit assigned during period	(15,000)	(48)	-	-	-	-
Nr. Unit Outstanding at the end of the period	218,000	684	253	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 2023 and 31 December 2022:

(€'000)	at December 31, 2023	at December 31, 2022
Selling agents' commission fund	27	27
Guarantee reserve	508	388
Busting depreciable asset	364	504
Risk reserves	-	80
TOTAL FUNDS FOR COSTS AND FUTURE RISKS	**899**	**999**

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

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 product warranty provision is allocated based on the expectations of the charges to be incurred for the fulfilment of the contractual warranty on products sold at year-end.

Asset disposal reserve

The "asset disposal reserve" was allocated in response to an obligation for future costs that the 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 table below shows the changes in the reserve for risks and charges in the years under review:

SELLING AGENTS' COMMISSION FUND (€'000)	at December 31, 2023	at December 31, 2022
JANUARY 1,	27	27
Provision	-	0
Utilization	-	-
RESERVE AT THE END OF THE PERIOD	**27**	**27**

DIRECTOR TERMINATION FUND (€'000)	at December 31, 2023	at December 31, 2022
JANUARY 1,	-	55
Provision	-	2
Other	-	(4)
Utilization	-	(53)
RESERVE AT THE END OF THE PERIOD	**-**	**0**

GUARANTEE RESERVE (€'000)	at December 31, 2023	at December 31, 2022
JANUARY 1,	388	365
Provision	88	15
Other	(9)	4
Utilization	41	(23)
Area variation	-	27
RESERVE AT THE END OF THE PERIOD	**508**	**388**

BUSTING DEPRECIABLE ASSET

(€'000)	at December 31, 2023	at December 31, 2022
JANUARY 1,	504	486
Provision	57	-
Other	(25)	18
RESERVE AT THE END OF THE PERIOD	**364**	**504**

With reference to 2023, the item other movements includes the reduction of the provision for foreign exchange adjustments in the amount of €25 thousand.
In 2022 the same item 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.

GENERIC RISK

(€'000)	at December 31, 2023	at December 31, 2022
JANUARY 1,	80	544
Provision	-	31
Other	(9)	(18)
Utilization	(71)	(477)
RESERVE AT THE END OF THE PERIOD	**-**	**80**

18 – Trade payables

The table below shows the composition of trade payables at 31 December 2023 and 31 December 2022:

(€'000)	at December 31, 2023	at December 31, 2022
Third parties	11,648	19,456
Related companies	147	117
TOTAL TRADE PAYABLES	**11,795**	**19,573**

Trade payables at 31 December 2023 came to €11,795 thousand, decreasing by €7,778 thousand compared with 31 December 2022. 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 2023 and 31 December 2022:

(€'000)	at December 31, 2023	at December 31, 2022
Social contributions	864	748
Other	4,031	5,118
Advances from customers	780	460
Grants advances	374	692
Other tax liabilities	495	534
Accrued expanses	1,157	1,058
TOTAL OTHER CURRENT LIABILITIES	**7,701**	**8,610**

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 2023 and 31 December 2022:

(€'000)	at December 31, 2023	at December 31, 2022
Employees	1,942	1,976
Vacation pay	1,063	1,130
Directors	497	714
Statutory auditors	56	326
Other	473	972
TOTAL OTHER PAYABLES	**4,031**	**5,118**

Amounts payable to employees refer to salaries and wages for the month of December 2023 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 2024.

20 – Warranties

The Eurotech Group had potential liabilities at 31 December 2023 deriving from sureties of €6 thousand granted by a number of credit institutions to Group companies.

I – Breakdown of key income statement items

21 – Sales and service revenues

The breakdown of revenues by type, which also in application of IFRS 15 represents disaggregated revenue disclosures, shows a slight increase in industrial revenues (with an increase of 0.3% over 2022).The Eurotech Group had potential liabilities at 31 December 2023 deriving from sureties of €6 thousand granted by a number of credit institutions to Group companies.

(€' 000)	FY 2023	FY 2022
SALES BY TYPE		
Industrial revenues	82,962	82,755
Services revenues	10,794	11,509
TOTALE SALES AND SERVICE REVENUES	**93,756**	**94,264**

Breakdown of revenues by geographical area based on customer location is shown below:

(€' 000)	FY 2023	FY 2022
BREAKDOWN BY GEOGRAPHIC AREA		
European Union	38,593	22,480
United States	23,657	38,559
Japan	26,430	28,447
Other	5,076	4,778
TOTAL SALES AND SERVICE REVENUES	**93,756**	**94,264**

Based on the breakdown of sales by customer geographic area, the European area following the consolidation of InoNet became the most significant area with 41.2% of the total. The increase was 71.7% due to both organic growth and external growth.
Japan area continues to be the second most important area with a year-on-year decrease of 7.1 percent and a 28.2% share of consolidated sales, down slightly from 30.2% in 2022. As already explained the decrease is mainly due to the exchange rate effect since at constant exchange rates there is an increase of 2.3%.

The U.S. area, due to the decrease in revenues, becomes the Group's third largest area. The proportion of the U.S. area to total annual revenues was 25.2 percent in 2023 compared to a 40.9% in 2022.
With reference to the other geographical areas, in absolute terms the growth was 6.2% and the incidence was 5.4% slightly up from 5.1% at the previous fiscal year.

22 – Costs of raw and auxiliary materials and consumables

(€'000)	FY 2023	FY 2022
Purchases of raw materials, semi-finished and finished products	46,922	58,018
Changes in inventories of raw materials	340	(4,527)
Change in inventories of semi-finished and finished products	2,071	(1,620)
TOTAL COST OF MATERIALS	**49,333**	**51,871**

The costs of raw and auxiliary materials and consumables show a decrease that is more than proportional to the reduction in turnover. This is due to the activities carried out to improve the efficiency of the supply chain as well as the different mix of products sold. The write-downs made on inventory also affected the value of the item.

23 – Other operating costs

(€'000)	FY 2023	FY 2022
Service costs	14,653	14,657
- of which non recurrent costs	-	*913*
Rent and leases	747	823
Payroll	26,384	23,453
- of which non recurrent costs	*251*	*0*
Accruals and other costs	900	901
Cost adjustments for in-house generation of non-current assets	(2,658)	(3,491)
Operating costs net of cost adjustments	**40,026**	**36,343**

In 2023, the Group allocated no less than 0.06% of Eurotech S.p.A.'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 €15 thousand.

24 – Service costs

(€'000)	FY 2023	FY 2022
Industrial services	5,712	4,907
Commercial services	2,473	1,996
General and administrative costs	6,468	7,754
Total costs of services	**14,653**	**14,657**

In the periods considered, costs for services recorded a decrease of €4 thousand.
If compared at constant exchange rates, there is an increase of €267 thousand and if non-recurring administrative costs are excluded, which included for 2022 €913 thousand due to non-recurring costs linked to the acquisition of the subsidiary InoNet Computer GmbH, the increase becomes €1,180 thousand. Part of this growth (€535 thousand) is attributable to the greater impact that InoNet had in the consolidation in 2023 compared to what was in 2022.
The growth of industrial services is related to industrial and product development activities to support the business.

25 – Payroll costs

(€'000)	FY 2023	FY 2022
Wages, salaries and Social Security contributions	25,431	22,293
Costs of defined benefit plans	382	553
Other costs	571	607
Total personnel expenses	**26,384**	**23,453**

Payroll costs increased by €2,931 thousand in the period under review.
At constant exchange rates, the increase would have been €3,511 thousand mainly attributable to the different period of consolidation of InoNet.
The "wages and salaries" item includes €251 thousand of non-recurring costs related to the reorganisation that began in 2023 in the United States.

The impact of accounting for the pro-rata temporis portion of the relative cost of the Performance Share Plans commented on in Note 16 was €268 thousand compared to €261 thousand in 2022.

As shown in the table below, the exact number of Group employees decreased at the end of the periods under review, from 398 in 2022 to 393 in 2023.

EMPLOYEES	Average 2023	at December 31, 2023	Average 2022	at December 31, 2022
Management	4.3	5	3.3	4
Clerical workers	280.9	282	307.8	286
Line workers	106.8	106	36.5	108
TOTAL	**392.0**	**393**	**347.6**	**398**

26 – Other provisions and costs

(€'000)	FY 2023	FY 2022
Doubful debt provision	68	259
Other Provisions	88	2
Other costs	744	640
Total accruals and other costs	**900**	**901**

The amounts in the "doubtful debt provision" item refer to provisions made to the respective reserve to represent receivables at their realisable value.
Losses on receivables of €1 thousand were recorded in 2023, while they amounted to €6 thousand last year.

27 – Other revenues

(€'000)	FY 2023	FY 2022
Government grants	393	18
Sundry revenues	490	196
Total other revenues	**883**	**214**

Contributions are mainly related to the recognition of product development activities for the non-capitalised part as well as benefits for hiring new employees.
Other revenues mainly refer to insurance reimbursements, contingent assets and use of risk provisions.

28 – Cost adjustments for internally generated non-current assets

At 31 December 2023, cost adjustments for internally generated non-current assets (equal to €2,658 thousand) is related to the cost incurred internally for the development of new circuit boards for a high-performance, low-consumption processor (€211 thousand); the cost incurred by the Parent Company and subsidiary Eurotech Inc.

for new Cloud platform products (€1,958 thousand); the costs pertaining to other new development projects (€489 thousand).
Total adjustments for internally generated non-current assets comprise €1,373 thousand (2022: €1,423 thousand), service costs for €1,123 thousand (2022: €2,008 thousand) and material costs for €163 thousand (2021: €60 thousand).

29 – Depreciation, amortisation and write-downs

(€'000)	FY 2023	FY 2022
Amortisation of intangile assets	3,731	3,784
Amortisation of property, plant and equipment	1,918	1,828
Write-down of fixed assets	2,080	-
Total amortisation and depreciation	**7,729**	**5,612**

(*) Restated, see note F -Business combination

Amortisation of intangible assets relates mainly to development costs and, to a lesser extent, the software licenses.
Depreciation of property, plant and equipment equal to €1,918 thousand (2022: €1,828 thousand), of which €1,424 thousand relate to the amortisation of the right of use of certain capital goods (€1,277 thousand related to 2022).

Write-downs included €691 thousand from write-downs of development costs related to project and products no longer usable and €1,389 thousand from the write-down of goodwill of CGU Eurotech Ltd. following impairment tests.

30 – Financial income and charges

€'000	FY 2023	FY 2022
Exchange-rate losses	1,482	2,117
Interest expenses	951	272
Interest expenses on lease liabilities	109	56
Expenses on derivatives	-	15
Other finance expenses	91	149
Financial charges	**2,633**	**2,609**
Exchange-rate gains	3,150	2,613
Interest income	8	9
Gain on derivatives	100	-
Other finance income	162	25
Financial incomes	**3,420**	**2,647**

The trend of financial management is annually affected by the exchange rate management which in 2023 had a net positive effect of €1,668 thousand (2022: positive effect of €496 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 -€181 thousand.
The interest expense was up due to more use of lines of credit and to the increase in interest rates on outstanding loans.
Income from the management of interest income and other financial income is higher due to income from derivatives, as well as €160 thousand from the lower debt for business combinations connected not only to the performance of the foreign subsidiary's results, but also to the fluctuation of the market value of the Eurotech share, since the amount is payable in shares of the Parent Company.

31 – Income taxes for the year

Income taxes were negative for €1,456 thousand in 2023, while they were also negative for €2,335 thousand in 2022.

(€'000)	FY 2023	FY 2022
Pre-tax result	(1,662)	690
Income taxes	(1,456)	(2,309)
Income taxes as a percentage of profit before taxes (effective tax rate)	**-87.6%**	**334.6%**

(*) Restated, see note F -Business combination

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 2023	FY 2022
IRES (Italian corporate income tax)	-	1
IRAP (Italian Regional business tax)	-	6
Foreign current income taxes	1,667	2,326
Total current income tax	**1,667**	**2,333**
Net (prepaid) deferred taxes: Italy	90	435
Net (prepaid) deferred taxes: Non-italian	(301)	(459)
Net (prepaid) deferred taxes	**(211)**	**(24)**
TOTAL INCOME TAXES	**1,456**	**2,309**

(*) Restated, see note F -Business combination

Taxes at 31 December 2023 amounted to a total of €1,456 thousand (of which €1,667 thousand for current taxes and €211 thousand for net deferred tax assets), compared to total taxes of €2,306 thousand at 31 December

2022 (of which €2,333 thousand for current taxes and €24 thousand for net deferred tax assetes), recording a change of €853 thousand.
In 2023, as was the case in 2022, no new deferred tax credits were recognised as regards tax losses, which therefore remained only partially recognised for the portion that is reasonably expected to be utilised in foreseeable future years based on the results of the most updated business plan.

The Group incurred tax losses and ACE benefits in the past years, and for some companies in 2023 – 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 €48.7 million (2022: €45.0 million) were recognised, to be reported within the deadlines applicable in each country to offset future taxable profits of the related companies. No deferred tax assets have been recognised in respect of these losses as the conditions do not exist at this time for them to be used to offset taxable profits in a reasonably foreseeable period of time.

At 31 December 2023, 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 2023, is as follows:

(€/000)		FY 2023		FY 2022 (*)
Pre-tax result		**(1,662)**		**690**
Theoretical income tax rate	**24%**		**24%**	
Theoretical corporate income tax		**(399)**		**166**
Effect of foreign rates		99		80
Impact of taxes relating to prior periods		-		-
Non-taxed income and non-deductible expenses		636		503
Interest deductible in future periods		-		-
Impact of tax losses		(21)		100
Impact of permanent differences and unrecognized temporary differences		272		451
Impact of temporary differences not recognized in previous years		-		-
Effect of change in tax rates		-		-
DTA not recognises		820		992
Allowance for Corporate Equity		-		-
R&D credit		-		98
Other current taxes		-		-
Local taxes trough profit or loss		49		(81)
Total income taxes through profit or loss		**1,456**		**2,309**
Current taxes		1,667		2,333
Total defferred taxes		(211)		(24)
		-		-

Deferred tax assets at 31.12.2023 amounted to €4,655 thousand (€5,301 thousand at 31.12.2022), while deferred tax liabilities amounted to €3,400 thousand (€3,978 thousand at 31.12.2022) and can be detailed as follows:

(€/000)	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, 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
31.12.2022	**515**	**55**	**688**	**2,780**	**787**	**1,934**	**(1,458)**	**5,301**
Changes in 2023								
- Through profit or loss	147	(1)	89	(350)	(285)	(88)	-	(488)
- Other changes	-	-	-	-	-	-	(61)	(61)
-Exchange rate differences	-	-	(69)	-	(28)	-	-	(97)
31.12.2023	**662**	**54**	**708**	**2,430**	**474**	**1,846**	**(1,519)**	**4,655**

(€/000)	Business combination	R&D costs	Unrealised foreign exchange gains or	Other temporary differences	Transfer of taxes	Total
at December 31, 2021	**(2,783)**	**(387)**	**(1,006)**	**(54)**	**1,030**	**(3,200)**
Changes in 2022						
-Business combination	(1,052)	-	-	(46)	-	(1,098)
-Through profit or loss	26	110	(427)	(8)	-	(299)
- Other changes	-	-	-	-	428	428
-Exchange rate differences	203	(12)	-	-	-	191
31.12.2022	**(3,606)**	**(289)**	**(1,433)**	**(108)**	**1,458**	**(3,978)**
Changes in 2023						
- Through profit or loss	79	230	(61)	19	-	267
- Other changes		-	-		61	61
- Exchange rate differences	258	(8)	-	-	-	250
31.12.2023	**(3,269)**	**(67)**	**(1,494)**	**(89)**	**1,519**	**(3,400)**

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 31.12.2023	% of ownership 31.12.2022
Subsidiaries				
Aurora S.r.l. (2)	Italy	Euro	100.00%	100.00%
I.P.S. Sistemi Programmabili S.r.l. (2)	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%	100.00%
Advanet Inc.	Japan	Yen	90.00% (1)	90.00% (1)
Affiliated companies				
Insulab S.r.l.	Italy		40.00%	-
Rotowi Technologies S.p.A. in liquidation (ex U.T.R.I. S.p.A.) (2)	Italy		21.32%	21.32%

(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.
(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	Purchases from related parties	Financial receivables to related parties	Receivables from related parties	Payables from related parties
Other related parties					
Bluenergy Assistance srl	7	-	-	1	-
Interlogica srl	-	469	-	-	137
Insulab S.r.l.	-	190	-	-	127
Total	**7**	**659**	**-**	**1**	**264**
Total with related parties	**7**	**659**	**-**	**1**	**264**
% impact on line item	**0.0%**	**1.0%**	**0.0%**	**0.0%**	**2.3%**

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, 2023					
Name	Nomination	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	President up to 27.04.2024	Eurotech	-	-	-	-	-	-
di Giacomo Luca	President from 27.04.2023	Eurotech	-	-	-	-	-	-
Fumagalli Aldo	Director and Vice President	Eurotech	-	-	-	-	-	-
Chawla Paul	Director	Eurotech	Ownership	126,150	-	-	126,150	-
Costaguta Marco	Director	Eurotech	-	-	-	-	-	-
Mio Chiara	Director up to 27.04.2023	Eurotech	-	-	-	-	-	-
Marti Antongiulio	Director up to 27.04.2023	Eurotech	-	-	-	-	-	-
Curti Susanna	Director	Eurotech	-	-	-	-	-	-
Filippini Mariagrazia	Director up to 27.04.2023	Eurotech	-	-	-	-	-	-
Rovizzi Laura	Director up to 27.04.2023	Eurotech	-	-	-	-	-	-
Costa Michela	Director from 27.04.2023	Eurotech	-	-	-	-	-	-
Gervasio Alberta	Director from 27.04.2023	Eurotech	-	-	-	-	-	-
Pesce Simona	Director from 27.04.2023	Eurotech	-	-	-	-	-	-
Russo Massimo	Director from 27.04.2023	Eurotech	-	-	-	-	-	-
Monti Fabio	President of Board of Statutory Auditors	Eurotech	-	-	-	-	-	-
Savi Daniela	Statutory Auditor	Eurotech	-	-	-	-	-	-
Briganti Laura	Statutory Auditor from 27.04.2023	Eurotech	-	-	-	-	-	-
Monterisi Pietro	Statutory Auditor up to 27.04.2023	Eurotech	-	-	-	-	-	-
	Strategic Managers	Eurotech	Ownership	41,000	-	-	41,000	-

The remuneration accrued by executives with strategic responsibilities in 2023 is as follows:

	at December 31, 2023			
Type	Fix Salary	Variable companesation not equity	Non-monetary benefit	Fair value of equity compensation
Strategic Managers	442	141	12	117

The above amounts are included in the Income Statement for the year ended 31 December 2023.

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 on-demand 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 2023, approximately 21.0% of the Group's loans were at fixed rates (in 2022, the percentage was around 25.1%). 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 58.1% of sales of goods and services (2022: 76.3%) and 60.3% (2022: 61.1%) 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. Maximum risk exposure is shown in Note 6. Only some receivables from key 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 4 years where the largest customer generated more than 15% of the Group's revenues. More specifically, in 2023 a single Group customer generated approximately 20.0% 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.

Liquidity risk
Liquidity risk is related to the difficulty of obtaining financial resources at acceptable economic conditions, necessary for current operations and therefore to meet commitments. The considerations already expressed in the section on assessments regarding the adoption of the going concern assumption are also recalled.

The cash flows, loan requirements and liquidity of the Group companies, albeit monitored at Group level, are managed locally.
The challenging economic and financial backdrop of the markets requires special focus on liquidity risk management, and in this sense particular attention is paid to actions aimed at generating financial resources through operations and maintaining an adequate level of available liquidity in order to have an effective financial balance. The Group therefore plans to respond to the requirements of financial payables falling due and planned investments through cash flows from business operations, available cash and the use of overdrafts, the renewal or refinancing of bank loans, and the raising of own funds on the market.
The credit lines are adequate and are used on average between 70% and 80% of the total.
Group policy states that no more than 40% of loans must fall due within 12 months.
At 31 December 2023, 44.4% of Group financial payables will accrue within one year (2022: 55.1%), based on the balances of the original plans.
The risk that the Group will have difficulty meeting its legal commitments for financial liabilities is related to the trend in turnover and any timely corrective actions, taking into account the current net financial position and working capital structure, can be considered moderate. The Group 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 liquidity and the possible use of bank loans, rescheduling or refinancing of existing ones and other forms of funding.

€ '000	Less 12 months	over 1 and within 3 years	over 3 and within 5 years	> 5 years	Total
Borrowings	16,890	8,298	1,070	555	26,813
Trade payables and other liabilities	19,369	-	-	-	19,369
Contratti per beni in leasing	1,131	1,040	1,168	1,350	4,689
Business combination liabilities	740	-	-	-	740
Total as of December 31, 2023	**38,130**	**9,338**	**2,238**	**1,905**	**51,611**

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 2022 and 2023.
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, 2023	at December 31, 2022 (*)
Other current and non current financial assets	(143)	(205)
Derivative instruments	(102)	(205)
Borrowing	31,502	32,041
Cash & cash equivalents	(11,428)	(18,110)
Net financial position	**19,829**	**13,521**
Group Equity	95,319	106,442
Group Equity	**95,319**	**106,442**
EQUITY AND NET FINANCIAL POSITION	**115,148**	**119,963**
Net financial position on Equity	**20.8%**	**12.7%**

(*) Restated, see note F -Business combination

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 2023 and on the respective comparison figures.

At 31 December 2023, the Group held the following financial instruments measured at fair value:

(€'000)	Notional value at December 31, 2023	Fair value at December 31, 2023 (debit)	Fair value at December 31, 2023 (credit)	Notional value at December 31, 2022	Fair value at December 31, 2022 (debit)	Fair value at December 31, 2022 (credit)
Cash flow hedge						
Contracts Interest Rate Swap (IRS)	2,548	102	0	4,023	205	0

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:

As of 31 December 2023:

(€'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
Asstes as per balance sheet				
Derivative financial instruments		102		**102**
Trade and other receivables exluding pre-payments	-	-	19,883	**19,883**
Investments in other companies	548	-	6,637	**7,185**
Other current financial assets	35	-	108	**143**
Cash & cash equivalents	-	-	11,428	**11,428**
Total	**583**	**102**	**38,056**	**38,741**

(€'000)	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through equity	financial liabilities carried at amortized cost	Total
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities	-	-	26,813	**26,813**
Finance lease liabilities	-	-	4,689	**4,689**
Derivative financial instruments		-	-	**-**
Trade and other payables exluding non-financial liabilities	-	-	11,795	**11,795**
Total	**-**	**-**	**43,297**	**43,297**

As of 31 December 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
Asstes as per balance sheet				
Derivative financial instruments		205		**205**
Trade and other receivables exluding pre-payments	-	-	19,906	**19,906**
Investments in other companies	549	-	6,876	**7,425**
Other current financial assets	35	-	104	**139**
Cash & cash equivalents	-	-	18,110	**18,110**
Total	**584**	**205**	**44,996**	**45,785**

(€'000)	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through equity	financial liabilities carried at amortized cost	Total
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities	-	-	27,318	**27,318**
Finance lease liabilities	-	-	4,723	**4,723**
Derivative financial instruments		-	-	**-**
Trade and other payables exluding non-financial liabilities	-	-	19,780	**19,780**
Total	**-**	**-**	**51,821**	**51,821**

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 2023, the Group held two IRS contracts (of a notional contractual value of €2.5 million) of which two were signed during the year; all six contracts are designated as interest rate risk hedging instruments (simple relation of coverage).

	Due date	Fixed rate	Floating rate	Market value (€'000) *(€'000)*
Interest rate swap contracts				
Euro 1.173.216,78	31 July 2025	-0.20%	Euribor 3 months	41
Euro 1.375.000,00	30 September 2026	-0.14%	Euribor 3 months	61
TOTAL				**102**

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

The accounting treatment of these financial instruments entailed a decrease in shareholders' equity of €103 thousand such that the cash flow hedge reserve amounted to a positive value of €102 thousand.

35 – Non-recurring costs and revenues

The US subsidiary incurred payroll costs in 2023 that it considered to be non-recurring, compared to ordinary operations. The amount is €0.25 million and is related to the costs incurred and to be incurred with reference to the reorganisation of the local workforce.
The Parent Company in 2022, on the other hand, had incurred costs related to the acquisition of the subsidiary InoNet Computer GmbH, which it identified as non-recurring in relation to ordinary operations.
For both years, these non-recurring costs were shown separately in the financial statements as well as in the note specifically referring to the income statement item to which they refer.

(€'000)	FY 2023	FY 2022
Service costs	-	913
Payroll	251	-
Accruals and other costs	-	-
Write-down of fixed assets	-	-
Non-recurrent costs	**251**	**913**

36 – Potential liabilities

There are no significant potential liabilities to report except for what is stated in 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":

		31.12.2023	
COMPANY	LENDING INSTITUTION	PROJECT DESCRIPTION	RECEIVED AMOUNT
Eurotech S.p.A.:			
	European Comunity	ProjectArrowheadTools	239
	European Comunity	Cyber Physical Systems for Europe	133
	Electric service operator - GSE	Photovoltaic system	1
	Fondinpresa	Employees training	5
	Regione Friuli Venezia Giulia	L.R. 18/2005 Hirings	5
Advanet:			
	Others residual		10
GRANTS RECEIVED			**393**

38 – Events after the reporting date

No significant events took place after the closing of the consolidated financial statements at 31 December 2023.

Amaro, 19 March 2024

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 2023 for the auditing services.

(€)	Service provider	Eurotech Group entity	2023 fees
Audit			
	EY S.p.A.	Parent company - Eurotech S.p.A.	144,000
	EY S.p.A.	Subsidiaries	71,000
	Network EY	Subsidiaries	85,000
TOTAL			**300,000**

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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, 19 March 2024

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 2023.

2. The assessment of the adequacy of the administrative and accounting procedures for the drafting of the Consolidated Financial Statements at 31 December 2023 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 2023:
      - 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 pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Eurotech S.p.A.

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 at December 31, 2023, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated cash flows statement for the year then ended, and the explanatory notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

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 our report. We are independent of Eurotech S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The consolidated financial statements of Eurotech Group for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on April 3, 2023.

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.

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Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
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We identified the following key audit matters:

Key Audit Matter	Audit Response
Assessment of the recoverability of intangible assets with an indefinite useful life The consolidated financial statements include, within Intangible assets, goodwill of euro 66,821 thousand, allocated to the Group's various cash generating units (CGU), and brand asset with an indefinite useful life of euro 6,774 thousand. The processes and methods for assessing and determining the recoverable value of each CGU, in terms of value in use, sometimes are based on complex assumptions which, by their nature, involve recourse to the judgement of the directors, in particular with reference to the forecast of future cash flows included in the 2024-2028 plans drawn up for each of the CGU, the determination of the normalized cash flows at the basis of the terminal value's estimation, the determination of long-run growth rates and discount rates applied to future cash flows. Considering the required judgment and the complexity of the assumptions used in estimating the recoverable amount of goodwill, we considered that this issue represents a key audit matter. Disclosure in the consolidated financial statements relating to the valuation of goodwill is reported in Note "H-1 Intangible assets", which describes the process for determining the recoverable amount of each CGU, as well as the valuation assumptions used and the sensitivity analyses to changes in the main assumptions adopted, as well as in paragraph "C - Discretionary evaluations and relevant accounting estimates" and in paragraph "E - Accounting standards and policies".	Our audit procedures related to the key audit matter included, among others: • the analysis of the process and key controls put in place by the Group in connection to the valuation of the recoverable amount of goodwill and brand asset; • the assessment of the adequacy of the CGU identification, the allocation of the carrying amounts of the assets and liabilities to the individual CGU and the comparison with the value in use arising from the impairment test; • the analysis of the reasonableness of the main assumptions adopted for future cash flow forecasts, by obtaining information from Management and by comparing historical forecasts with actual data; • verification of the mathematical accuracy of the model adopted to determine the value in use of the CGU, including the methodology used to estimate terminal value; • verification of the determination of long-term growth rates and discount rates. Our procedures were performed with the support of our experts in valuation techniques, who performed an independent recalculation and carried out sensitivity analyses on key assumptions to determine changes in assumptions that could significantly impact the valuation of the recoverable amount. Lastly, we assessed the adequacy of the information provided in the explanatory notes to the consolidated financial statements in relation to intangible assets.

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Key Audit Matter	Audit Response
Assessment of the conditions for the recognition and measurement of development costs Development costs recognized under intangible assets as of December 31, 2023, amounted to a total of euro 6,259 thousand. The assumptions for the initial recognition of these assets and the recoverability assessments are based on complex assumptions that by their nature involve recourse to the judgment of the directors as they are influenced by multiple factors, including the time horizon of the product business plans and the ability to predict the commercial success of the technologies. Considering the required judgment and the complexity of the assumptions used, we consider that this issue represents a key audit matter. The financial statements relating to the assumptions and estimates applied for the recognition and measurement of development costs are reported in paragraphs " C - Discretionary evaluations and relevant accounting estimates" and "E - Accounting standards and policies", as well as in Note "H-1 - Intangible assets".	Our audit procedures related to the key audit matter included, among others: • the understanding of the process applied to recognize development costs and the process of assessing their recoverability; • for a sample of development projects, we have carried out: I. validity procedures aimed at verifying internal and external costs recognized during the year; II. analysis of the reasonableness of the main assumptions at the basis of the product sales forecasts; III. analysis of the documentation supporting the technical feasibility and marketability of the products related to the development activity, in line with the sales forecasts that can be deduced from the economic-financial plan for the period 2024-2028 as well as the orders already acquired; IV. analysis of amortization criteria and estimated useful life of development assets. Lastly, we assessed the information provided in the explanatory notes to the financial statements with reference to the key audit matter.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Eurotech S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and 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 have 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 have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of 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 financial statements or, if such disclosures are inadequate, to consider this matter in forming 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 have 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;

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- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities 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.

We have 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 identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

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

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Eurotech S.p.A., in the general meeting held on April 27, 2023, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2023 to December 31, 2031.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

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

The Directors of EIP S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements as at December 31, 2023 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2023 have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

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Due to certain technical limitations, some information included in the explanatory 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.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Eurotech S.p.A. are responsible for the preparation of the Management Report and of the Report on Corporate Governance and Ownership Structure of Eurotech Group as at December 31, 2023, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Eurotech Group as at December 31, 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Management Report and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Eurotech Group as at December 31, 2023 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Treviso, April 2, 2023

EY S.p.A.
Signed by: Maurizio Rubinato, Auditor

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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