

EUROTECH: CONSOLIDATED INTERIM MANAGEMENT REPORT AS AT 31 MARCH 2024 APPROVED BY THE BOD

Revenues down in first quarter, largely affected by phase-out of main customer on legacy embedded business in U.S. and destocking in Japan. Rising first margin and falling operating costs only partly curbed Ebitda decline. Net working capital and net financial position improving from 31 December 2023 figures.

Amaro (Italy), 15 May 2024

- Consolidated revenues of € 11.9 million (€ 24.9 million as at 31.03.2023, -50.4% at constant exchange rates)
- Consolidated gross profit of € 5.8 million and 48.7% of revenues (€ 11.7 million and 46.9% of revenues as at 31.03.2023)
- Consolidated EBITDA of € -3.4 million (€ 1.6 million as at 31.03.2023)
- Consolidated EBIT of € -4.5 million (€ 0.4 million as at 31.03.2023)
- Group net income of € -4.2 million (€ -0.1 million as at 31.03.2023)
- Net debt of € 19.2 million (€ 20.6 million as at 31.12.2023)

The Board of Directors of Eurotech S.p.A. today examined and approved the consolidated results as at 31 March 2024.

Trend of the period

The result for the first quarter of 2024 was mainly affected by the phase-out of the main customer on embedded business in the United States, accelerated by the destocking 2023. The growth of new projects in Edge AIoT could not offset the decline in legacy business in time, as it lagged behind due to the difficulty in finding specialized Edge AIoT talent. In addition, the Japanese area was affected by the destocking of major customers, while in the first three months of last year it had benefited from the opposite phenomenon of product accumulation by the same customers. Finally, the European area was adversely affected by the lengthening of the ramp-up time of some projects in the field of industrial automation underway with customers in the area, who are showing cautious and wait-and-see behavior in allocating their annual budgets.



At constant exchange rates, the year-on-year reduction in turnover is significant; however, the first quarter of 2023 had benefited from approximately €4 million in turnover resulting from orders not delivered in 2022 due to component shortages and was therefore an "outlier" compared to the historical average of the first quarters. It should also be remembered that, historically, the first quarter has never been representative of the year's performance, as it has often proved to be an interim quarter with little activity from customers.

The Edge AIoT business continues to play a decisive role as envisioned by the company's new strategic direction: in the first three months, partly as a result of the contraction of the traditional business, it accounted for 63% of total revenues compared to 32% in the first quarter of last year.

The first margin, as a percentage of sales, rose by 180bps compared to the value in the first quarter of 2023 due mainly to the increase in the first margin of the German subsidiary InoNet, thus confirming the positive trend already observed in 2023.

Operating costs benefited from the first effects of the significant reorganization of operations in the U.S. carried out in Q4 2023; the second phase of improving cash generation of the business in that area is currently underway. Both total personnel costs and service costs recorded an initial absolute reduction of 3% at constant exchange rates, which will be more visible in the coming quarters.

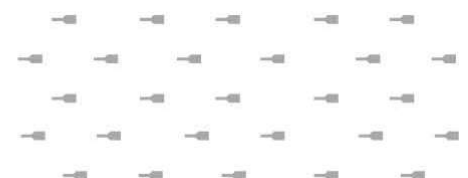
By virtue of the normalization of the dynamics of material purchases, net working capital was reduced by €5.9 million, accounting for 22% of sales in the last 12 rolling months, a value close to the 20% threshold which is management's target.

The net financial position benefited from the reduction in net working capital: net debt at the end of March 2024 decreased by €1.4 million compared to the end of December 2023.

Economic performance of the Eurotech Group

Consolidated revenues for the first quarter of 2024 were € 11.94 million, compared to € 24.92 million in the first three months of 2023. At constant exchange rates, the reduction is 50.4%, while at historical exchange rates it is 52.1%.

With reference to the **breakdown of revenues by location of the Group's activities**, Europe has become the most significant area and recorded a 65.7% contribution to the Group's revenues (in the three months of 2023 it was 35.6%); the Japanese area is in second place and



contributed 28.2% of total revenues (in the three months of 2023 it was 25.8%); in third place is the American area, which recorded a 6.1% contribution to the total figure (in the three months of 2023 it was 38.6%).

The U.S. area suffered a sharp decline in legacy Embedded business due to the phase-out of the area's largest customer, accelerated by the 2023 destocking. The European area suffered from a wait-and-see approach by customers in ramping up ongoing projects. In the other hand, the Japanese area declined due to the destocking of its major customers.

The **first margin** for the period was 48.7% of sales, up from both a 46.9% incidence for the first three months of 2023 and the 47.4% figure recorded for the whole of 2023. The 180bps improvement, in addition to being related to the mix of products sold, was the result of year-on-year growth in the first margin of the German subsidiary InoNet, component purchase cost improvement activities, and some price increases to specific customers.

In the three months under review, **operating costs** before adjustments amounted to € 10.18 million, and compares with € 10.82 million in the first three months of 2023. At constant exchange rates, the cost reduction, instead of € 0.64 million, comes to € 0.32 million and is the net effect between the reorganization in the U.S. and new hires to support the strategy.

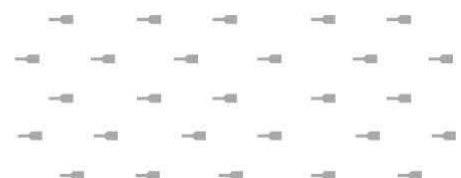
EBITDA amounted to € -3.37 million, compared to € 1.60 million in 2023. This trend is mainly related to the different turnover in the periods being compared.

EBIT, or operating income for the year, due to depreciation and amortization charged to the income statement in the first three months of 2024, amounted to € -4.50 million, compared to a positive € 0.37 million in 2023.

In terms of Group **net income**, the value for the first quarter is € -4.21 million, while it was positive by € 0.14 million in the same period of 2023.

Balance sheet and financial situation of the Eurotech Group

As of the 31st of March 2024, the Group had a **net financial debt** of € 19.2 million, compared to an amount of € 20.6 million as of the 31st of December 2023. The reduction in net financial debt was due to a reduction in **net working capital**, which amounted to € 17.96 million as of 31 March 2024, compared to € 23.85 million as of 31 December 2023. The reduction in working capital is mainly related to the dynamics of payments from customers and material purchases.



The ratio of net working capital to sales for the last 12 rolling months stood at 22%, a value substantially in line with management's objectives.

Group shareholders' equity amounts to €89.6 million (€95.3 million as of 31 December 2022).

Foreseeable evolution of operations

Low visibility beyond the short term remains as a result of customers' current preference for "last-minute" release of orders. However, signs are emerging from ongoing dialogue with customers that point to a more promising second half of the year than the first, with overall growth in the Edge AIoT business.

The second quarter will show an improvement in revenues compared to the quarter just ended, and with a first margin in line with the figure recorded in the first three months of the year. In addition, in the coming months, the reorganization actions in the U.S. business already carried out in the fourth quarter 2023 will continue to show their effect of net reduction in total operating costs, with a year-on-year benefit at the EBITDA level of about €1 million.

On the operating cost side, two initiatives are already underway:

- the first is the completion of actions to improve the cash generation of the business in the U.S., which had already begun at the end of last year;
- the second initiative, on the other hand, will concern the strong rationalization of activities in the Edge AIoT business line. On the one hand, the structure has grown a great deal in the last three years and can benefit from targeted interventions to redesign the organization to also enable integration synergies between the group's different locations in Europe and the United States; on the other hand, Edge AIoT revenues are gradually reaching a critical mass that allows for rethinking some costs and achieving economies of scale. Management's goal is to complete a large part of this world-wide reorganization project of operating activities in the next 9 months, with progressive cost savings that, when fully implemented in 2025, will lead to lowering the Group's run-rate by about Euro 3 million, incremental to the million mentioned above for an estimated total of about 4 million representing about 10% of total operating costs compared to 2023; all this without affecting the development potential of the Edge AIoT business and on the contrary making the structure more agile and dynamic.

After successfully achieving the integration of the German subsidiary InoNet, and in parallel with the sharp reduction in operating costs, management's attention is now also focused on inorganic development in the North American region. Building on the positive experience of the acquisition of InoNet, Eurotech is focusing on finding a "tuck on" target in the U.S. that can



give the business transformation to Edge AIoT the same momentum in a short timeframe that InoNet enabled in Europe. To finance the growth by external lines, Eurotech will find the necessary financial means through the most appropriate ways currently under consideration, including a capital increase; the above has already found approval from relative majority shareholder Emera.

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

Eurotech

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

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ANNEXES - ACCOUNTING SCHEDULES

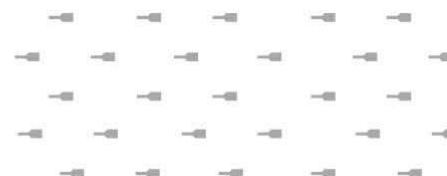
CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€ '000)	Q1 2024 (b)	of which related parties	%	Q1 2023 (a)	of which related parties	%	change (b-a) amount	%
Sales revenue	11,943	2	100.0%	24,917	2	100.0%	(12,974)	-52.1%
Cost of material	(6,127)		-51.3%	(13,241)	(157)	-53.1%	(7,114)	-53.7%
Gross profit	5,816		48.7%	11,676		46.9%	(5,860)	-50.2%
Services costs	(3,348)	(300)	-28.0%	(3,668)		-14.7%	(320)	-8.7%
Lease & hire costs	(228)		-1.9%	(215)		-0.9%	13	6.0%
Payroll costs	(6,345)		-53.1%	(6,715)		-26.9%	(370)	-5.5%
Other provisions and costs	(259)		-2.2%	(217)		-0.9%	42	19.4%
Other revenues	994		8.3%	742		3.0%	252	34.0%
EBITDA	(3,370)		-28.2%	1,603		6.4%	(4,973)	310.2%
Depreciation & Amortization	(1,128)		-9.4%	(1,229)		-4.9%	(101)	-8.2%
EBIT	(4,498)		-37.7%	374		1.5%	(4,872)	n.s.
Finance expense	(482)		-4.0%	(1,058)		-4.2%	(576)	-54.4%
Finance income	772		6.5%	873		3.5%	(101)	-11.6%
Profit before tax	(4,208)		-35.2%	189		0.8%	(4,397)	n.s.
Income tax	6		0.1%	(46)		-0.2%	(52)	113.0%
Net profit (loss) of continuing operations before minority interest	(4,202)		-35.2%	143		0.6%	(4,345)	n.s.
Minority interest	-		0.0%	-		0.0%	-	n/a
Group net profit (loss) for period	(4,202)		-35.2%	143		0.6%	(4,345)	n.s.
Base earnings per share	(0.119)			(0.106)				
Diluted earnings per share	(0.119)			(0.106)				



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at March 31, 2024	of which related parties	at December 31, 2023	of which related parties
ASSETS				
Intangible assets	84,740		85,827	
Property, Plant and equipment	6,987		7,185	
Investments in affiliate companies	4		4	
Investments in other companies	547		544	
Deferred tax assets	4,567		4,655	
Other non-current assets	481		502	
Total non-current assets	97,326		98,717	
Inventories	23,348		21,887	
Trade receivables	10,477	2	19,883	1
Income tax receivables	1,637		1,206	
Other current assets	3,477		2,151	
Other current financial assets	110		143	
Derivative instruments	90		102	
Cash & cash equivalents	9,324		11,428	
Total current assets	48,463		56,800	
Total assets	145,789		155,517	
LIABILITIES AND EQUITY				
Share capital	8,879		8,879	
Share premium reserve	136,400		136,400	
Other reserves	(55,673)		(49,960)	
Group shareholders' equity	89,606		95,319	
Equity attributable to minority interest	-		-	
Total shareholders' equity	89,606		95,319	
Medium-/long-term borrowing	11,204		13,481	
Employee benefit obligations	2,343		2,382	
Deferred tax liabilities	3,276		3,400	
Other non-current liabilities	887		899	
Business combination liabilities	521		740	
Total non-current liabilities	18,231		20,902	
Trade payables	11,963	117	11,668	137
Trade payables from affiliates companies	264	127	127	127
Short-term borrowing	16,970		18,021	
Income tax liabilities	1,565		1,779	
Other current liabilities	7,190		7,701	
Total current liabilities	37,952		39,296	
Total liabilities	56,183		60,198	
Total liabilities and equity	145,789		155,517	

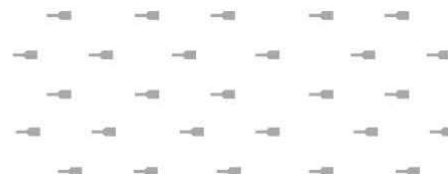


STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2023	8,879	1,776	136,400	375	(51,270)	102	(543)	3,380	(662)	(3,118)	95,319	-	95,319
2023 Result allocation	-	-	-	-	(3,118)	-	-	-	-	3,118	-	-	-
Profit (loss) as at March 31, 2024	-	-	-	-	-	-	-	-	-	(4,202)	(4,202)	-	(4,202)
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	(13)	-	-	-	-	(13)	-	(13)
- Actuarial gains/(losses) on defined benefit plans for employees	-	-	-	-	-	-	-	-	-	-	-	-	-
- Foreign balance sheets conversion difference	-	-	-	(1,948)	-	-	-	-	-	-	(1,948)	-	(1,948)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	294	-	-	294	-	294
Total Comprehensive result	-	-	-	(1,948)	-	(13)	-	294	-	(4,202)	(5,869)	-	(5,869)
- Performance Share Plan	-	-	-	-	156	-	-	-	-	-	156	-	156
- Other changes and transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2024	8,879	1,776	136,400	(1,573)	(54,232)	89	(543)	3,674	(662)	(4,202)	89,606	-	89,606

CONDENSED CASH FLOW STATEMENT

(€'000)		at March 31, 2024	at December 31, 2023	at March 31, 2023
Cash flow generated (used) in operations	A	2,957	1,908	(363)
Cash flow generated (used) in investment activities	B	(1,047)	(3,112)	(1,084)
Cash flow generated (absorbed) by financial assets	C	(3,702)	(2,186)	(201)
Net foreign exchange difference	D	(312)	(3,292)	(409)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(2,104)	(6,682)	(2,057)
Opening amount in cash & cash equivalents		11,428	18,110	18,110
Cash & cash equivalents at end of period		9,324	11,428	16,053



NET FINANCIAL POSITION

(€'000)		at March 31, 2024	at December 31, 2023	at March 31, 2023
Cash	A	9,324	11,428	16,053
Cash equivalents	B	-	-	-
Other current financial assets	C	200	245	318
Cash equivalent	D=A+B+C	9,524	11,673	16,371
Current financial debt	E	4,547	4,547	2,241
Current portion of non-current financial debt	F	12,423	13,474	12,597
Short-term financial position	G=E+F	16,970	18,021	14,838
Short-term net financial position	H=G-D	7,446	6,348	(1,533)
Non current financial debt	I	11,204	13,481	17,222
Debt instrument	J	-	-	-
Trade payables and other non-current payables	K	521	740	900
Medium-/long-term net financial position	L=I+J+K	11,725	14,221	18,122
(NET FINANCIAL POSITION) NET DEBT ESMA	M=H+L	19,171	20,569	16,589
Medium/long term borrowing allowed to affiliates companies and other Group companies	N	-	-	65
(NET FINANCIAL POSITION) NET DEBT	O=M-N	19,171	20,569	16,524

NET WORKING CAPITAL

(€'000)	at March 31, 2024 (b)	at December 31, 2023 (a)	at March 31, 2023	Changes (b-a)
Inventories	23,348	21,887	29,676	1,461
Trade receivables	10,477	19,883	15,590	(9,406)
Income tax receivables	1,637	1,206	1,559	431
Other current assets	3,477	2,151	2,933	1,326
Current assets	38,939	45,127	49,758	(6,188)
Trade payables	(11,963)	(11,668)	(17,812)	(295)
Trade payables from affiliates companies	(264)	(127)	0	(137)
Income tax liabilities	(1,565)	(1,779)	(1,601)	214
Other current liabilities	(7,190)	(7,701)	(8,428)	511
Current liabilities	(20,982)	(21,275)	(27,841)	293
Net working capital	17,957	23,852	21,917	(5,895)

