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consolidated interim management report

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at 31 march 2024

AT 31 MARCH 2024

*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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in the "Investors" section of
www.eurotech.com

EUROTECH S.p.A.
Registered offices: Via Fratelli Solari 3/A, Amaro (Udine), Italy
Share capital: €8,878,946 fully paid in
Tax code and
Udine Company Register no. 01791330309

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Corporate Bodies

Board of Directors

Chairperson	Luca di Giacomo
Deputy Chairperson	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

Chairperson	Fabio Monti
Statutory Auditor	Laura Briganti
Statutory Auditor	Daniela Savi
Substitute Auditor	Clara Carbone
Substitute 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

Ernst & Young

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 (UD)
Iscrizione al registro delle
Imprese di Udine 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 Committee for Transactions with Related Parties.

⁵ Member of the Remuneration and Appointments Committee.

Performance highlights

Financial data

(€'000)	Q1 2024	%	Q1 2023	%	% change
OPERATING RESULTS					
SALES REVENUES	11,943	100.0%	24,917	100.0%	-52.1%
GROSS PROFIT MARGIN (*)	5,816	48.7%	11,676	46.9%	-50.2%
EBITDA (**)	(3,370)	-28.2%	1,603	6.4%	310.2%
EBIT (***)	(4,498)	-37.7%	374	1.5%	1302.7%
PROFIT (LOSS) BEFORE TAXES	(4,208)	-35.2%	189	0.8%	2326.5%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	(4,202)	-35.2%	143	0.6%	3038.5%

(*) **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**, or earnings before financial income and expenses, the valuations of affiliates at equity and of income taxes for the period.

Statement of financial position data

€'000	at March 31, 2024	at December 31, 2023
BALANCE SHEET AND FINANCIAL HIGHLIGHTS		
NET NON-CURRENT ASSETS	97,326	98,717
NET WORKING CAPITAL	17,957	23,852
NET INVESTED CAPITAL	108,777	115,888
SHAREHOLDERS' EQUITY	89,606	95,319
NET FINANCIAL POSITION	19,171	20,569

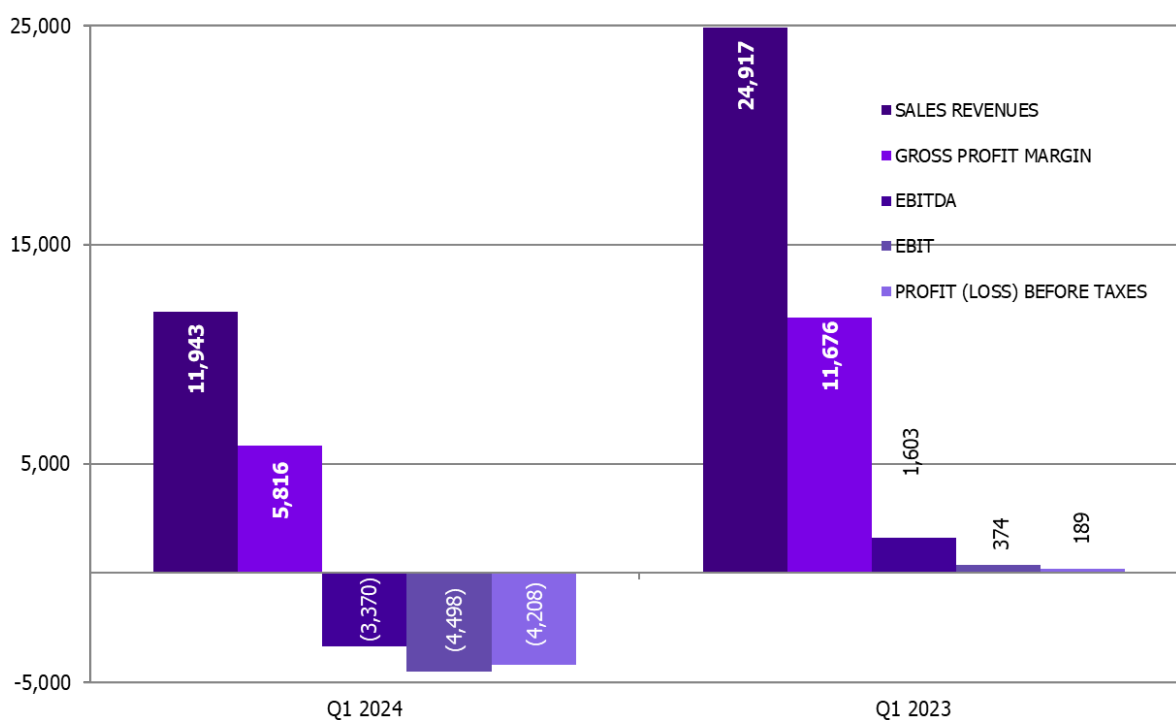
Number of employees

	at March 31, 2024	at December 31, 2023	at March 31, 2023
EMPLOYEES	380	393	397

Revenues by business line

The only business line that the Group presides over is the one called “Modules and Platforms,” which consists of: a) Embedded electronic computing modules and systems for the industrial, transportation, medical and energy sectors; b) Low-power and high-performance Edge Computers for uses in both the Internet of Things (IoT) and for realizing applications that make use of Artificial Intelligence (AI) algorithms; and c) Frameworks and software platforms for IoT applications.

Summary of the results



Information for shareholders

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

Share capital of Eurotech S.p.A. as at 31 March 2024

Share capital	Euro 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 March 2024)	€72 million
Stock market capitalisation (based on the share's price at 31 March 2024)	€62 million

Performance of Eurotech S.p.A. shares

Relative performance EUROTECH S.p.A.
01.01.2024 – 31.03.2024

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



The Eurotech Group

Eurotech is a global company with a strong international vocation and revenues spread over three continents. It is a Group with operating offices in Europe, North America and Japan, led and coordinated from its headquarters in Italy.

Eurotech has a long tradition of more than thirty years in the design and manufacture of embedded computers for special applications, in which the ability of computers to withstand hostile environments and the need for continuous and uninterrupted operation are the determining variables. This is a market niche characterized by high value and low volume, which over the years has enabled the company to defend a first margin above the industry average.

For the past three years, Eurotech has been on an acceleration path toward Edge Computing and Industrial IoT, with major investments on its opensource software integrated with Edge hardware and on the differentiating OT cybersecurity certifications that characterize its portfolio. As a result, the Board & Platforms business is being conducted on a run-for-cash basis.

Today the result of that transformation and investment confirmed:

- 1) by the technological positioning among the leaders in the target market, evidenced both by the awards received and by mentions in industry analyst reports, including Gartner's prestigious Magic Quadrant for "Industrial IoT Platforms," which has seen us present for the last 5 years in a row;
- 2) by the revenue mix, which within 3 years, from 2021 to 2023, saw sales in the Edge AIoT sector increase from 15% to 42% of total revenue.

The factors that characterize Eurotech in the Industrial IoT landscape are as follows:

- Eurotech's technology resolves the conflict between Operational Technology (OT) and Information Technology (IT) at the Edge through integrated solutions that combine hardware and software; this conflict is unanimously recognized as the number one obstacle to companies' implementation of IoT projects;
- plug-and-play connectivity to assets in the field, which speeds up time and reduces deployment costs;
- thanks to relationships with big names in IT such as Microsoft, Amazon, and Red Hat, Eurotech is able to provide certified connectivity to all major cloud platforms, reducing the time and risk of integration in a typical IoT project using these platforms to almost zero;
- Eurotech's connection and integration technology has been conceived and implemented by adopting the best solutions in the field of Cybersecurity and is certified according to the latest international standards in the field (IEC 62443-4-1 and IEC 62443-4-2).

Today, the Group's offerings are modular, with different levels of hardware and software integration and are 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 operating system integrated;
- Industrial PCs (IPCs), 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 deployed in the field, close to the assets and dedicated to local processing of the data they generate;
- Edge AI appliances, i.e., systems with integrated high-performance hardware and software to securely and remotely process Artificial Intelligence algorithms directly in the field, eliminating unnecessary and costly data transfers to centralized servers;

- software for integration between Operational Technology and Information Technology: the edge framework “Everyware Software Framework” (ESF) on the OT side and the integration platform “Everyware Cloud” (EC) on the IT side;

The sectors in which the Group has historically developed most of its revenues are industrial automation and transportation, followed by medical. More recently, the new offering of integrated hardware and software for industrial IoT applications has also enabled the Group to enter new sectors, such as energy. From a strategic point of view, the Group's choice today is to focus on four vertical markets that combine larger size and higher growth rate in the coming years: industrial automation, transportation & offroad, medical, and renewable energy & networks for power-gas-water.

Summary of performance in the first quarter of 2024 and business outlook

Introduction

The interim management statement of the Eurotech Group as at 31 March 2024, which has not been independently audited, and the financial statements for comparative periods were drawn up according to the IASs/IFRSs issued by the International Accounting Board and endorsed by the European Union.

The Group's results as at 31 March 2024 and comparable periods were prepared according to the IASs/IFRSs in force on the date of preparation and the statements drawn up according to Annex 3D of the Italian Issuers' Regulation no. 11971 of 14 May 1999, as amended and supplemented.

Reporting policies

The consolidated financial statements were drafted on the basis of financial statements as at 31 March 2024 prepared by the consolidated companies and adjusted, where necessary, to align them with the Group's IFRS-compliant accounting and classification policies.

The assessment and accounting policies and consolidation methods used to prepare the Consolidated Quarterly Report are consistent with those used in the Group Consolidated Annual Financial Report as at 31 December 2023, to which express reference is made, except for the adoption of new standards, amendments and interpretations in force as of 1 January 2024.

The calculation of taxes was carried out on the basis of the best possible estimate that can currently be carried out, also taking into consideration the tax benefit of tax-losses carried forward based on the expected results for the end of the year. According to the criterion used for translation into Euro of accounts expressed in different currencies, statement of financial position items are translated at the exchange rate in effect on the final day of the accounting period, and income statement items are translated at the average exchange rate for the period. Differences arising from translation of the statement of financial position and income statements are posted to a Shareholders' Equity reserve.

Unless otherwise specified, the financial statements, tables and explanatory notes are expressed in thousands of Euro.

In accordance with CONSOB requirements, Income Statement figures are shown for the quarter under review and are compared with data for the same period in the previous financial year (FY). Restated Balance Sheet figures, which refer to the closing date of the quarter, are compared with the figures at the closing date of the previous FY. The format of the financial statements is the same as that used in the Half-Yearly Report and in the Annual Financial Statements.

The preparation of the financial statements and the related explanatory notes required the use of estimates and assumptions, with particular reference to provisions for impairment and risk reserves. Estimates are revised periodically, and any adjustment, following changes in the circumstances on which the estimate was based or in light of new information, is booked in the income statement. The use of estimates is an essential part of preparing the accounting statements and is not prejudicial to their overall reliability.

This document presents some alternative performance indicators to allow for better evaluation of the Group's economic and financial performance. These are as follows:

- **Gross profit**, or the difference between revenues from sale of products and services and consumption of raw materials;
- **EBITDA**, or earnings before amortisation, depreciation and impairment of fixed assets, the valuation of affiliates at equity, financial income and expenses and income taxes for the period;
- **EBIT**, or earnings before the valuation of affiliates at equity, financial income and expenses and income taxes for the period.

Operating performance in the period

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 was 50.4 percent, while at historical exchange rates it was 52.1 percent. The first quarter of 2023 had benefited from approximately €4 million in sales from orders not delivered in 2022 due to the shortage of components and was therefore an outlier compared to the historical average of the first quarters, which is around €15 million.

The result for the first quarter of 2024 was strongly affected by the lag between the phase-out of the legacy embedded business in the United States, which was accelerated by destocking, and the phase-in of new projects in the Edge AIoT area, which was delayed due to the difficulty in staffing related to the “talent war” in technology experienced in the post-pandemic period. In addition, the Japanese area was affected by the destocking of major customers, whereas in the first three months of last year it had benefited from the opposite phenomenon of product accumulation by customers. Finally, the European area was adversely affected by the lengthening ramp-up time of ongoing Edge AIoT projects with customers in the area, who are showing cautious and wait-and-see behavior in allocating their annual budgets.

The **first margin**, as a percentage of revenue, rose to 48.7 percent from the 46.9 percent recorded in Q1 2023. This 180bps improvement is partly related to the different product mix, but also to the increase in the first margin of the German subsidiary InoNet, which confirms the trend already observed in 2023.

In the three months under review, **operating costs** before adjustments amounted to €10.18 million, and compares with €10.81 million in the first three months of 2023. At constant exchange rates, the reduction in costs, instead of being €0.63 million is €0.34 million. The main reduction was related to personnel costs, due to net reduction effect between the reorganization in the U.S. (related to the second phase of the run-for-cash of the legacy embedded business) 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.

Finance expense during the first three months of 2024 was positive by €0.29 million, while it had been negative by €0.18 million in the first three months of 2023. For more detail, see the comments in Note “J”.

In terms of the Group's **net result**, the value for the first quarter was -€4.20 million, while it was positive by €0.14 million in the same period of 2023.

As of March 31, 2024, the Group had a **net financial debt** of €19.17 million, compared to an amount of €20.60 million as of December 31, 2023. The reduction in net financial debt was due to a reduction in **net working capital**, which amounted to €17.96 million as of March 31, 2024, compared to €23.85 million as of December 31, 2023. The reduction in working capital is mainly related to the dynamics of collections from customers and material purchases. The ratio of net working capital to sales for the last 12 rolling months was around 22 percent, a value in line with management's objectives.

Financial statements and explanatory notes

The trend in operating performance can be seen in the restated consolidated income statement and is shown below, in both absolute amounts and percentage terms:

Consolidated income statement

(€ '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 comprehensive income

	Q1 2024	Q1 2023
(€ '000)		
Net profit (loss) before minority interest (A)	(4,202)	143
Other elements of the statement of comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Net profit/(loss) from Cash Flow Hedge	(13)	(23)
Foreign balance sheets conversion difference	(1,948)	(1,688)
Exchange differences on equity investments in foreign companies	294	(1,148)
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)	(1,667)	(2,859)
After taxes net other comprehensive income not being reclassified to profit or loss in subsequent periods (C)		
	-	-
Comprehensive net result (A+B+C)	(5,869)	(2,716)
Comprehensive minority interest	-	-
Comprehensive Group net profit (loss) for period	(5,869)	(2,716)

Consolidated statement of financial position

(€'000)	Notes	at March 31, 2024	of which related parties	at December 31, 2023	of which related parties
ASSETS					
Intangible assets	L a	84,740		85,827	
Property, Plant and equipment	L b	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	L	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	O	89,606		95,319	
Equity attributable to minority interest	O	-		-	
Total shareholders' equity	O	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	

Consolidated 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

(€'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, 2022(*)	8,879	1,776	136,400	5,998	(49,878)	205	(445)	5,829	(703)	(1,546)	106,515	-	106,515
2022 Result allocation	-	-	-	-	(1,546)	-	-	-	-	1,546	-	-	-
Profit (loss) as at March 31, 2023	-	-	-	-	-	-	-	-	-	143	143	-	143
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	(23)	-	-	-	-	(23)	-	(23)
- Actuarial gains/(losses) on defined benefit plans for employees	-	-	-	-	-	-	-	-	-	-	-	-	-
- Foreign balance sheets conversion difference	-	-	-	(1,688)	-	-	-	-	-	-	(1,688)	-	(1,688)
- Exchange differences on equity investments in foreign companies	-	-	-	-	580	-	-	(1,148)	-	-	(568)	-	(568)
Total Comprehensive result	-	-	-	(1,688)	580	(23)	-	(1,148)	-	143	(2,136)	-	(2,136)
- Performance Share Plan	-	-	-	-	227	-	-	-	41	-	268	-	268
- Other changes and transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2023	8,879	1,776	136,400	4,310	(50,617)	182	(445)	4,681	(662)	143	104,647	-	104,647

(*) Restated due to the final Purchase Price Allocation of InoNet. Effect on Shareholders' Equity is Euro 73 thousand

Net financial position

The table below shows the composition of the Group's net financial position as at 31 March 2024, compared to the similar position as at 31 March 2023 and 31 December 2023, calculated as defined by 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 effective from 5 May 2021.

(€'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

The consolidated net financial position as at 31 March 31 2024 amounted to a net financial debt of €19.17 million, compared to a net financial debt of €20.57 million as at 31 December 2023. With reference to liquidity, which amounts to €9.32 million, there was an operating cash generation of €2.9 million in the period under review, €1.00 million was used for investments and €3.7 million as net repayment of loans payable.

The medium-long term portion of a loan, amounting to €1.5 million, remains reclassified as a current financial liability pending waiver from a banking institution. 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.

Net working capital

The Group's net working capital as at 31 March 2024, compared with the situation as at 31 March 2023 and 31 December 2023, is as follows:

(€'000)	2024 (b)	31, 2023 (a)	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)

Cash flows

(€'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

A – Group business

Eurotech is a Group that has historically been active in the research, development and marketing of miniaturised computers for special applications, characterised by adverse operating conditions and/or a demand for high reliability. Over the last ten years Eurotech evolved its offering towards solutions with integrated hardware and software for the Internet of Things, consisting of intelligent devices (Edge gateways, Edge servers, Edge AI) and a software platform for connectivity and integration with the cloud, both public and private.

The Group's activities are represented in a single sector (called "NanoPC") which consists of: a) embedded computing modules and systems for industrial, transport, medical, energy and grids; b) Industrial PCs (IPC); c) 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; d) software frameworks and platforms for IoT applications.

Activity in this line is carried out by Eurotech S.p.A., which mainly operates in Europe, Eurotech Inc. (USA), which mainly operates in the US, Eurotech Ltd (U.K.), which mainly operates in the UK, InoNet computer GmbH, which mainly operates in Germany, and Advanet Inc. (Japan), which mainly operates in Japan. Our products are marketed under the trademarks Eurotech, Dynatem, Advanet e InoNet.

B – Scope of consolidation

The companies included in the scope of consolidation on a line-by-line basis as at 31 March 2024 are as follows:

Company name	Registered offices	Share capital	Group share
<i>Parent company</i>			
Eurotech S.p.A.	Via Fratelli Solari 3/A – Amaro (Udine, Italy)	€ 8,878,946	
<i>Subsidiaries consolidated line-by-line</i>			
Aurora S.r.l.	Via Fratelli Solari 3/A – Amaro (Udine, Italy)	€ 10,000	100.00%
EthLab S.r.l.	Via Dante, 300 – Pergine Valsugana (Trento, Italy)	€ 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.	Vénissieux (France)	€ 795,522	100.00%
I.P.S. Sistemi Programmabili S.r.l. in liquidation	Via Piave, 54 – Caronno Varesino (Varese, Italy)	€ 51,480	100.00%
InoNet Computer GmbH	Taufkirchen (Germany)	€ 250,000	100.00%
Advanet Inc.	Okayama (Japan)	JPY 72,440,000	90.00% (1)

(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.

Affiliates consolidated at equity

Rotowi Technologies S.p.A. in liquidazione (ex U.T.R.I. S.p.A.)	Via Carlo Ghega,15 – Trieste (TS), Italy	21,31%
Insulab S.r.l.	Viale Umberto I 24/C – Sassari (SS), Italy	40,00%

Other smaller companies valued at fair value

Kairos Autonomi Inc.	Sandy – UT (USA)	19,00%
Interlogica S.r.l.	Mestre (VE), Italy	10,00%

No changes took place with regard to subsidiaries and affiliates in the period as at 31 March 2024 compared with 31 December 2023.

The exchange rates used to translate the financial statements of foreign companies into the Eurotech Group's reference currency (euro) are presented in the following table and correspond to those issued by the Italian Foreign Exchange Bureau:

Currency	Average 3M 2024	As of March 31, 2024	Average 12M 2023	As of December 31, 2023	Average 3M 2023	As of March 31, 2023
British pound sterling	0.85627	0.85510	0.86979	0.86905	0.88309	0.87920
Japanese Yen	161.15000	163.45000	151.99027	156.33000	141.98062	144.83000
USA Dollar	1.08579	1.08110	1.08127	1.10500	1.07301	1.08750

C – Revenues

Revenues generated by the Group in the first quarter of 2024 amounted to €11.94 million (€24.92 million in the first three months of 2023), a decrease of 52.1 percent compared to the same period of the previous year. At constant exchange rates, total sales would show a decrease of 50.4%. It should also be mentioned that the first quarter of 2023 had benefited from approximately €4 million in revenues from products not delivered in 2022 due to component shortages. Net of this one-time effect, the change is mainly related to two phenomena: in the U.S., the phase-out of the legacy embedded business accelerated in 2023 by destocking, not yet offset by the phase-in of the new Edge AIoT business; in Japan, the reduction in quantities being delivered to customers due to still ongoing destocking.

The Group for management purposes is organized into one business area, also called the business sector, which is called “Modules and Platforms.”

Based on the business monitoring criteria currently used, information is provided on a geographic basis in relation to the location of the Group's various entities.

The geographical areas of the Group are defined by the location of the Group's assets and operations. The areas identified within the Group are: Europe, North America and Asia.

Revenues by business region

As specifically regards the breakdown of revenues of the business units by geographical area, the same can be further detailed as follows:

North America	Europe			Asia			Correction, reversal and elimination			Total		
	Q1 2024	Q1 2023	% YoY Change	Q1 2024	Q1 2023	% YoY Change	Q1 2024	Q1 2023	% YoY Change	Q1 2024	Q1 2023	% YoY Change
Third party Sales	729	9,625		7,848	8,871		3,365	6,421		0	0	
Infra-sector Sales	77	33		863	1,506		11	0		(951)	(1,539)	
Total Sales revenues	806	9,658	-91.7%	8,711	10,377	-16.1%	3,376	6,421	-47.4%	(951)	(1,539)	-38.2%
										11,942	24,917	-52.1%

Revenues from the North America business area of €0.81 million in the first 3 months of 2024 and €9.62 million in the first 3 months of 2023, decreased by 91.7 percent. This reduction is the effect of the phase-out of the legacy embedded business with the main customer in the area, which has not yet been compensated for due to the delay in the development of the Edge AIoT business, mainly due to the difficulties - now resolved - in staff recruitment, related to the “talent war” in technology that took place in the post-pandemic period.

There was also a decrease in sales in the Europe business area. The total decrease was 16.1 percent from €10.38 million in the first quarter of 2023 to €8.71 million in the first quarter of 2024. This trend was caused by the extended ramp-up time of ongoing Edge AIoT projects with customers in the area, who are showing cautious and wait-and-see behavior in allocating their annual budgets at a time when the entire industrial automation industry is experiencing a 20 percent decline.

Finally, the Asia business area shows a decrease of 47.4 percent from €6.42 million to €3.38 million, both due to a different distribution of revenues in the different quarters of the year compared to 2023 and to the destocking of major customers, who have reduced orders to the bare minimum.

Revenues by customer geographical area

The following table shows the geographical breakdown of revenues based on customer location:

BREAKDOWN BY GEOGRAPHIC AREA					
	Q1 2024	%	Q1 2023	%	% change
European Union	7,719	64.6%	8,101	32.5%	-4.7%
United States	611	5.1%	9,204	36.9%	-93.4%
Japan	3,359	28.1%	6,402	25.7%	-47.5%
Other	253	2.1%	1,210	4.9%	-79.1%
TOTAL SALES AND SERVICE REVENUES	11,942	100.0%	24,917	100.0%	-52.1%

With reference to the values by customer geographic area shown in the table, revenues from the Europe area decreased by 4.7 percent, but the incidence on total revenues, due to the lower volumes generated in the other geographic areas, increased to 64.6 percent, making Europe the first by revenues.

Revenues from the Japanese area decreased by 47.5 percent compared to the first quarter of 2023, and as a percentage of total revenues it has a 28.1 percent, which places Japan in second place.

As for revenues from the U.S. area, again referring to the location of customers, revenues were down 93.4% and the area's share of total revenues in the first three months of 2024 was 5.1%.

The other geographical areas complete the remaining 2.1% of total revenues, with a decrease in both absolute value and percentage terms compared to the first three months of 2023.

D – Costs of raw & ancillary materials and consumables used

Costs of raw & ancillary materials and consumables used, which are closely related to turnover, shows a less than proportional decrease in the periods under consideration compared to revenues, from €13.24 million in the first three months of 2023 to €6.13 million in the first three months of 2024. Thus, there was a change of €7.11 million or 53.7 percent in the period under review.

As a percentage of revenues, consumption of raw materials, supplies and consumables was 51.3 percent in the first three months of 2024, compared to 53.1 percent in the first three months of 2023. Due to the effect of the mix sold and also due to the efficiency in material purchasing by the German company, the marginality increased by 180bps compared with the period of 2023 benchmarked.

E – Costs for services

Costs for services decreased by €0.32 million in the quarters under comparison by 8.7% from €3.67 million to €3.35 million, and as a percentage of revenues, from 14.7% in the first three months of 2023 to 28.0% in the first three months of 2024.

This decrease in service costs is related to cost reductions due to the reorganization that took place at the end of the year in the U.S. and targeted cost containment so as not to significantly affect the continuation of the new business strategy.

The group also continued to make investments especially on the business line of IoT software platforms for industrial applications, as well as for developments related to the Edge Computers product line. These investments are aimed at supporting the research and development area to keep the product portfolio in line with technological innovations in the industry, including those proposed by electronic component manufacturers.

F – Payroll costs

Personnel costs in the reporting period increased from €6.72 million (26.9% of revenues) to €6.34 million (53.1% of revenues). The decrease of €0.37 million was due to the combined effect of higher costs due to the hiring made of incremental talent to accelerate growth in the strategic direction taken by the company (engineering new products, creating new channels and developing partnerships in the go-to-market ecosystem) and the reduction in costs due to the reorganization carried out in the U.S. where 11 people terminated service. The item salaries, includes for €156 thousand the pro-rata temporis share of the cost related to the Performance Share Plan in place (in the first quarter of 2023 the amount recorded as cost was €124 thousand).

At the end of March 2024, the number of employees decreased by 13 both compared to the end of 2023 while it decreased by 17 compared to March 2023.

The table below, shows the number of employees in the Group:

EMPLOYEES	at March 31, 2024	at December 31, 2023	at March 31, 2023
Manager	11	11	11
Clerical workers	266	276	278
Line workers	103	106	108
TOTAL	380	393	397

G – Other provisions and costs

As of March 31, 2024, the item includes an allowance for doubtful accounts in the amount of €5 thousand (€15 thousand also in the first three months of 2023) and refers to provisions made to address any non-collectable receivables from customers.

The ratio of the item other provisions and costs to revenues remains essentially unchanged in absolute value from one period to the next while the incidence, due to the different value of sales, is 2.2% (first three months of 2023: 0.9%).

H – Other revenues

Other revenues show an increase from €742 thousand in the first three months of 2023 to €994 thousand in the first three months of 2024.

Other revenues include capitalization of development costs related to new system solutions and highly integrated standard modules in the amount of €898 thousand (€706 thousand in the first three months of 2023) and miscellaneous income in the amount of €96 thousand (€36 thousand in the first three months of 2023).

I – Depreciation, amortisation and impairment

Depreciation and amortization decreased by €101 thousand, from €1,229 thousand in the first three months of 2023 to €1,128 thousand in the first three months of 2024. The item includes depreciation and amortization in application of IFRS16 amounting to €327 thousand (€331 thousand in 2022). In addition, for the quarter 2024 only, the item includes amortization of intangible assets with a finite useful life (customer list and trademarks) identified as a result of InoNet's "purchase price allocation (PPA)" in the amount of €74 thousand.

J – Financial income and expenses

Financial expenses increased by €0.56 million compared to the period under comparison. There was not only an increase in foreign exchange losses but also higher interest expenses on loans due to higher interest rates.

Finance income, again as a result of foreign exchange management, increased by €0.26 thousand from €0.87 million in the first three months of 2023 to €0.62 million in the first three months of 2024.

The absolute value and impact on revenues of the main components of financial income and expenses are as follows:

- foreign exchange losses: €0.18 million as at 31 March 2024, with an impact on revenues of 1.5%, compared to €0.84 million as at 31 March 2023, with an impact on revenues of 3.4%;
- foreign exchange gains: €0.52 million as at 31 March 2024, with an impact on revenues of 4.4%, compared to €0.85 million as at 31 March 2023, with an impact on revenues of 3.4%;
- miscellaneous interest expense: €285 thousand as at 31 March 2024, with an incidence of 2.4%, compared to an amount of €221 thousand as at 31 March 2023, with an incidence of 0.9%.
- other financial income includes €219 thousand as at 31 March 2024 due to the effect of lower debt for business combinations related to the fluctuation of the market value of the Eurotech share being the amount payable in shares of the Parent Company.

€'000	2024	2023	change %
Exchange-rate losses	176	837	-79.0%
Interest expenses	260	195	33.3%
Interest expenses on lease liabilities	25	26	-3.8%
Other finance expenses	21	-	n/a
Financial charges	482	1,058	-54.4%
Exchange-rate gains	520	849	-38.8%
Interest income	1	3	-66.7%
Gain on derivatives	26	20	n/a
Other finance income	225	1	n.s.
Financial incomes	772	873	-11.6%
Net financial income	290	(185)	-256.8%
% impact on sales	2.4%	-0.7%	

K – Income taxes

Income taxes as at 31 March 2024 were globally positive for €6 thousand (of which €22 thousand for current taxes and €28 thousand for net deferred tax assets), compared to the negative impact of €46

thousand as at 31 March 2023 (of which €76 thousand for current taxes and €31 thousand for net deferred tax assets), recording a positive change of €51 thousand.

L – Non-current assets

The net decrease in non-current assets compared to 31 December 2023 amounted to €1.39 million and was mainly due to changes in the exchange rates of property, plant and equipment and intangible assets, which generated a negative effect of €1.34 million.

Net investments in property, plant and equipment and intangible assets amounted to €1.19 million and were almost offset by amortisation and depreciation of €1.13 million.

a – Intangible assets

The table below shows the breakdown and main changes in intangible assets during the period:

(€ '000)	DEVELOPMENT COSTS	GOODWILL	SOFTWARE TRADEMARKS PATENTS	ASSETS UNDER CONSTRUCTION & ADVANCES	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
OPENING BALANCE (A)	4,311	66,821	9,566	3,405	1,724	85,827
<i>Changes as at March 31, 2024</i>						
- Purchases	-	-	10	866	-	876
- Amortisation and impairment in period (-)	(479)	-	(141)	-	(38)	(658)
- Other changes	1,247	(983)	(318)	(1,249)	2	(1,301)
Total changes (B)	764	(983)	(449)	(383)	(36)	(1,087)
CLOSING BALANCE (A+B)	5,075	65,838	9,117	3,022	1,688	84,740

The carrying value of goodwill and trademarks with an indefinite useful life allocated to each of the cash-generating units is as follows:

(€ '000)	at March 31, 2024		at December 31, 2023	
Cash generating units	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Inc.	34,119	6,774	35,673	6,774
InoNet Computer GmbH	5,221	-	5,221	-
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	22,690	-	22,201	-
Eurotech Ltd. (ex Arcom Ltd.)	3,718	-	3,636	-
Other	90	-	90	-
TOTAL	65,838	6,774	66,821	6,774

b – Property, plant and equipment

The table below shows their breakdown and main changes in property, plant and equipment assets during the period:

(€ '000)	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION & ADVANCES	RIGHT OF USE ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
OPENING BALANCE (A)	1,581	303	261	454	2	4,584	7,185
<i>Changes as at September 30, 2023</i>							
- Purchases	-	88	96	41	-	88	313
- Disposals	-	-	-	-	-	-	-
- Amortisation and impairment in period (-)	(15)	(18)	(31)	(56)	-	(350)	(470)
- Other changes	(1)	(8)	(6)	(6)	-	(20)	(41)
Total changes (B)	(16)	62	59	(21)	-	(282)	(198)
CLOSING BALANCE (A+B)	1,565	365	320	433	2	4,302	6,987

M – Net working capital

Net working capital decreased by €5.89 million, from €23.85 million as at 31 December 31 2023 to €17.96 million as at 31 March 2024; this performance is due to the different trend of the collection and payment flows, as is usually the case over the various quarters.

Current assets decreased by €6.19 million due mainly to a decrease in trade receivables offset by an increase in inventory value of €1.46 million and other current assets of €1.33 million.

The decrease in current liabilities was less than the decrease in current assets and amounted to €0.29 million, with mainly an increase in trade payables of €0.30 million and a decrease in other current liabilities totaling €0.51 million.

N – Net financial position

Consolidated net financial debt as at 31 March 2024 amounted to €19.17 million compared to €20.57 million as at 31 December 2023. The figures shown include financial payables for rights of use, in application of IFRS 16 accounting standard, amounting to €4.42 million, which subtracted from net financial debt results in pre-IFRS16 debt of €14.95 million.

With reference to liquidity which amounts to €9.34 million, in the period under review as can be deduced from the cash flow statement, there was an operating cash generation of €2.96 million, while €1.05 million was used for investments and €3.710 million for net repayment of loans payable.

The trend in operating cash flows is the result of the use of cash to support current operations and due to expected trends due in particular to the reduction in inventory values, there should be an improvement in the coming quarters.

See also the trends in cash flows as shown on page 17.

Medium/long-term financial liabilities include principal on bank loans and finance leases falling due beyond 12 months.

Short-term loans payable mainly include current account overdrafts, installments on mortgages and payables to other lenders due by 31 March 2025 as well as the medium-term portion of €1.5 million of a loan that had not met a covenant as at 31 December 2023 and was therefore reclassified as short-term pending waiver by the lending institution.

O – Changes in shareholders' equity

The share capital as at 31 March 2024 was made up of 35,515,784 ordinary shares, wholly subscribed and paid in, with no nominal value.

The balance of the Issuer's legal reserve as at 31 March 2024 amounted to €1.78 million.

The share premium reserve, which relates entirely to the Parent Company, is shown at a total amount of €136.4 million.

The negative translation reserve of €1,57 million was generated by inclusion in the interim management statement of the statements of financial position and the income statements of US subsidiaries Eurotech Inc. and E-Tech USA Inc., UK subsidiary Eurotech Ltd. and Japanese subsidiary Advanet Inc.

The “other reserves” item was negative for €54.23 million and consisted of the Parent Company's extraordinary reserve, formed by losses carried forward, allocations of retained earnings from prior years and other miscellaneous reserves. The change in the year is attributable to the allocation of the 2023 result, to the reclassification of the exchange difference reserve, the booking of the Eurotech's Performance Share Plans for the period described in a specific section of the 2023 Consolidated Financial Statements.

The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IAS 39, was positive for €89 thousand and decreased by €13 thousand gross of the tax effect, which was not recognised due to absence of the relative prerequisites.

The foreign exchange reserve in which – based on IAS 21 – foreign exchange differences relating to intragroup foreign-currency loans that constitute part of a net investment in a foreign shareholding are recognised, was positive by €3.67 thousand and decreased by €0.29 million gross of the related tax effect, not yet recorded due to the absence of the prerequisites.

Treasury shares held by the parent company Eurotech S.p.A. at the end of the period totalled 240,606, the same number as at 31 December 2023.

P – Significant events in the quarter

Other than those discussed in previous paragraphs, no other particularly significant event occurred in the quarter.

Q – Events after 31 March 2024

Key events following the end of the quarter were announced through the press releases listed below (full text can be found on the Group's website www.eurotech.com (Investors / news section):

04/09/2024 Eurotech ReliaCOR 44-11 wins “Best in Show” award at Embedded World 2024

04/15/2024 Syntegon chooses Eurotech's hardware and software for its Synexio system

05/06/2024 Eurotech unveils first Ignition-Ready certified IPC for cybersecurity

05/07/2024 Eurotech unveils new “AI game-changers” products: ReliaCOR 31-11 and 33-11 supported by NVIDIA Jetson Orin

There are no significant events after 31 March.

R – Risks and uncertainties

Please refer to the paragraphs “Main risks and uncertainties to which the Group is exposed” and “Financial risk management: objectives and criteria” in the 2023 Consolidated Financial Statements, in which the risks to which the Eurotech Group is exposed are explained.

S – Other information

We also specify that:

- group intercompany transactions take place at market prices and are eliminated during the consolidation process;
- group companies' related-party transactions form part of the normal course of business and are settled under arm's length conditions;
- pursuant to CONSOB communication no. DEM/6064296 of 28 July 2006, there were no atypical and/or unusual transactions carried out in the first quarter of 2024;
- as at 31 March 2024 the company held 240,606 treasury shares for a total value of €662 thousand. The changes were as follows:

	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 2024	240,606	60	0.68%	662	2.75
Purchases	-	-	0.00%	-	
Sales	-	-	0.00%	-	
Assignment-Performance share Plan	-	-	0.00%	-	
Status as at 31 December 2023	240,606	60	0.68%	662	2.75

- pursuant to CONSOB Communication no. DEM/11070007 of 5 August 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;
- as regards the requirements of Article 150, paragraph 1, of Italian Legislative Decree no. 58 of 24 February 1998, no members of the Board of Directors have executed transactions with Group companies in situations of potential conflict of interest;
- 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.

Amaro, 15 May 2024

On behalf of the Board of Directors

Signed by Mr. Paul Chawla
Chief Executive Officer

Statement of the Financial Reporting Manager

Amaro, 15 May 2024

STATEMENT

PURSUANT TO ART. 154-BIS, PARAGRAPH 2 – PART IV, TITLE III, CHAPTER II, SECTION V-BIS OF ITALIAN LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998: “CONSOLIDATED ACT ON MEASURES RELATING TO FINANCIAL INTERMEDIATION PURSUANT TO ARTICLES 8 AND 21 OF ITALIAN LAW NO. 52 OF 6 FEBRUARY 1996”

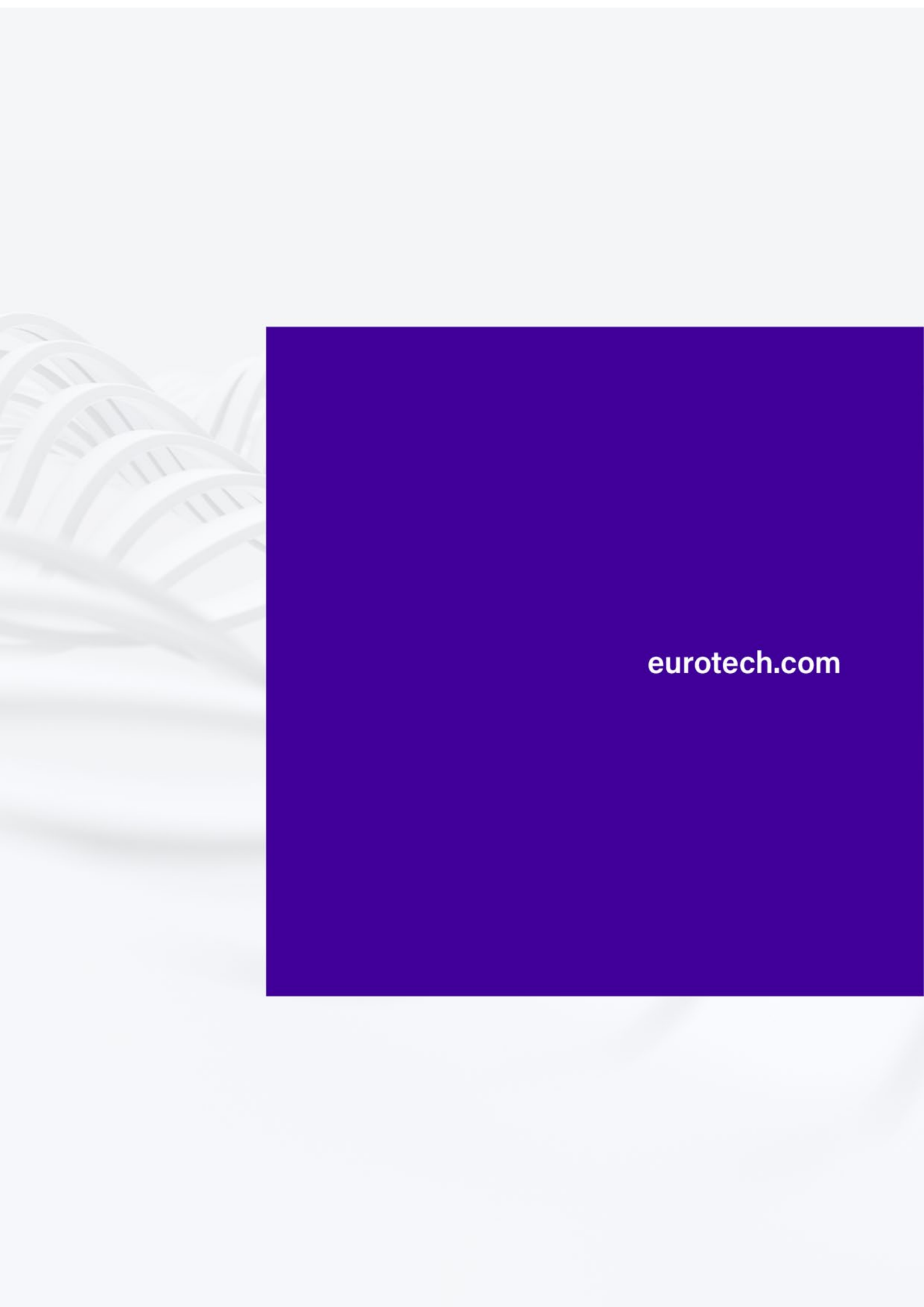
I, Sandro Barazza,

Financial Reporting Manager of Eurotech S.p.A., with reference to the Consolidated Interim Management Statement as at 31 March 2024 approved by the company's Board of Directors on 15 May 2024,

STATE

in compliance with the matters set forth under Article 154-bis, part IV, title III, chapter II, section V-bis of Italian Legislative Decree no. 58 of 24 February 1998, to the best of my knowledge, the Consolidated Interim Management Statement as at 31 March 2024 corresponds to the accounting entries.

The Financial Reporting Manager
Signed by Sandro Barazza



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