press release

EUROTECH: CONSOLIDATED FINACIAL REPORT AS AT 30 JUNE 2024 APPROVED BY THE BOD

Revenues up in second quarter compared to first, but still down from last year. First margin confirmed at target levels. Adjusted EBITDA at break-even in second quarter due in part to first effects of operating cost reduction actions.

Amaro (Italy), 13 September 2024

- Consolidated revenues of € 29.3 million (€ 47.9 million as at 30.06.2023, -37% at constant exchange rates)
- Consolidated gross profit of € 14.5 million and 49.7% of revenues (€ 22.3 million and 46.6% of revenues as at 30.06.2023)
- Consolidated EBITDA of € -3.5 million (€ 2.7 million as at 30.06.2023)
- Consolidated EBITDA adjusted of € -3.1 million (€ 2.7 million as at 30.06.2023)
- Consolidated EBIT of € -5.8 million (€ 0.01 million as at 30.06.2023)
- Group net income of € -5.5 million (€ -0.9 million as at 30.06.2023)
- Net debt of € 23.3 million (€ 20.6 million as at 31.12.2023)

The Board of Directors of Eurotech S.p.A. today examined and approved the results of first six months of 2024.

Trend of the period

Three major phenomena have occurred in the target markets that Eurotech oversees: the first phenomenon is the freezing of capex in Industrial Automation pending a reduction in interest rates, which has led the whole sector to record a YoY drop between 20% and 25% rather evenly worldwide; the second phenomenon is the delay in the construction of new chip plants, which has led to a sharp drop in business for all semiconductor machine manufacturers; the third phenomenon is the sharp acceleration in demand for generative AI datacenters, which has driven revenue for those operating in cloud infrastructure but has not yet impacted the edge.

Against this background, sales revenues in the first half of the year were still affected by the factors already highlighted in the first quarter: the phase-out of the legacy embedded business in the United States; destocking and softness in the Japanese industrial sector, which in the first months of last year had instead benefited from the opposite phenomenon of product

accumulation by customers; and the wait-and-see attitude of customers in allocating their budgets in Europe.

The first half of the year showed revenues down 37% at constant exchange rates compared to the same period last year, an improvement over the 50.4% decline recorded in the first quarter. In fact, the second quarter recorded revenues of €17.3 million, a marked improvement over the first quarter's performance.

The Edge AIoT business proved to be much more resilient than the traditional Embedded business, and in the first six months it took a decisive role in the composition of revenues, reaching 57% of the total.

The actions to improve procurement put in place over the past few years continue to yield the expected results on the first margin. Thanks in part to price increases to customers and a shift in sales mix toward higher-margin products, the first margin reached 49.7% in the first half of the year, an improvement of 310 bps over the same period in 2023.

In terms of adjusted EBITDA, the second quarter basically reached the break-even point, and as a result, the adjusted EBITDA figure for the half-year is in line with that of the first quarter. The second-quarter result was also made possible by the decrease in operating costs, which began to benefit from the effects of the operational structure rationalization actions begun in the U.S. at the end of 2023 and extended to the entire Group in May 2024.

Operating costs decreased by €1.27 million compared to the first six months of 2023, a figure that becomes €1.68 million net of nonrecurring costs related to the Group's reorganization activities, especially one-time personnel costs related to the reduction of the workforce and some service costs incurred to facilitate and speed up this reorganization. On an annual basis, the total expected benefit for 2024 is about €3.5 million compared to the twelve months of 2023.

Economic performance of the Eurotech Group

Consolidated revenues for the first six months of 2024 were € 29.26 million, compared to € 47.89 million in the first semester of 2023. The period-to-period decrease in sales was 38.9% (37% at constant exchange rates), an improvement over the -52.1% variance in the first quarter (-50.4% at constant exchange rates).

With reference to the **breakdown of revenues by location of the Group's activities**, Europe is the most significant area and recorded a 57.8% contribution to the Group's revenues (first semester 2023: 38.5%); the Japanese area is in second place and contributed 24.2% of total revenues (first semester 2023: 26.6%); lastly, the American area accounts for the remaining 18.0% (first semester 2023: 34.9%).

The **first margin** for the period amounted to €14.54 million, accounting for 49.7% of revenues. In percentage terms, the figure compares with 47.4% for the twelve months of 2023 and a value of 46.6% for the first half of 2023. The 310 bps increase in percentage margin is due to the mix of products sold, actions on component purchase prices, and actions on sales prices to customers.

Operating costs in the first six months of the year, before adjustments made for capitalization of development activities of €1.80 million (€1.64 million in H1 2023) and nonrecurring costs of €0.41 million (not present in H1 2023), amounted to €20.11 million, compared to €21.38 million in H1 2023. Net of non-recurring costs, the total value of operating costs amounted to €19.70 million.

EBITDA in the first six months 2024 net of nonrecurring costs (EBITA Adjusted) amounted to € -3.08 million (-10.5% of revenues) compared to € 2.70 million (5.6% of revenues) in the six months 2023. EBITDA for the first six months of 2024 considering non-recurring income statement items amounted to € -3.49 million (-11.9% of revenues).

EBIT for the first six months, i.e., operating income, was € -5.84 million (-20.0% of revenues) compared to Euro 13 thousand in the first six months of 2023.

The Group's **net income** amounted to € -5.51 million (it was negative € 0.94 million in the first six months of 2023) and its ratio to revenues was -18.8%.

Balance sheet and financial situation of the Eurotech Group

The Group's **cash and cash equivalents** amounted to €5.6 million as of June 30, 2024, while they were €11.4 million at the end of 2023. €5.3 million was used for the partial repayment of loans with banks according to their due dates against €0.45 million as new loans signed.

As of 30 June 2024, the Group had a **net financial debt** of €23.3 million, compared to an amount of €20.6 million as of 31 December 2023. The change in net financial position was

mainly due to cash utilization of €2.24 million for capital expenditures and €3.24 million for net repayment of loans payable.

Net working capital amounted to €20.3 million as of 30 June 2024, compared to €23.9 million as of 31 December 2023. The reduction in working capital is mainly related to a greater reduction in current assets than in current liabilities. The ratio of net working capital to sales for the last 12 rolling months was 27.0%.

Group shareholders' equity amounted to €86.1 million (€95.3 million as of 31 December 2023).

Foreseeable evolution of operations

A low visibility environment remains, with customers releasing orders for the bare minimum in the short term. However, the past 4-5 months have seen a noticeable increase in customer interest in discussing new business opportunities and bid requests compared to the first quarter, which should translate into an increase in the order book in the months ahead. This dynamic bodes well for a resumption of growth in 2025.

Sales in the second half of the year will be higher than in the first half, but will still be impacted by softness in Japan and the phase-out of legacy embedded business in the United States.

The procurement cost control processes in place and visibility into the mix of products sold suggest that in the next two quarters the first margin as a percentage will maintain values close to those recorded in the first half of the year.

Actions to rationalize the operating structure will make their benefit felt in terms of cost reduction, with a more pronounced effect than we began to see in the second quarter: the target announced in May to lower the Group's run-rate by about €4 million in 2025 compared to 2023 remains confirmed.

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

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Eurotech

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

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ANNEXES - ACCOUNTING SCHEDULES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€ '000)	H1 2024 (b)	of which non recurrent	of which related parties	%	H1 2023 (a)	of which related parties	%	change (b-a) amount	change (b-a) %
Sales revenue	29,261		2	100.0%	47,895	4	100.0%	(18,634)	-38.9%
Cost of material	(14,721)			-50.3%	(25,597)		-53.4%	(10,876)	-42.5%
Gross profit	**14,540**			**49.7%**	**22,298**		**46.6%**	**(7,758)**	**-34.8%**
Services costs	(6,924)	(116)	(300)	-23.7%	(7,407)	-	-15.5%	(483)	-6.5%
Lease & hire costs	(474)			-1.6%	(386)		-0.8%	88	22.8%
Payroll costs	(12,053)	(182)		-41.2%	(13,052)		-27.3%	(999)	-7.7%
Other provisions and costs	(663)	(111)		-2.3%	(531)		-1.1%	132	24.9%
Other revenues	2,084			7.1%	1,776		3.7%	308	17.3%
EBITDA	**(3,490)**	**(409)**		**-11.9%**	**2,698**		**5.6%**	**(6,188)**	**229.4%**
Depreciation & Amortization	(2,263)			-7.7%	(2,685)		-5.6%	(422)	-15.7%
Asset impairment	(85)	-		-0.3%	0		0.0%	85	n/a
EBIT	**(5,838)**	**(409)**		**-20.0%**	**13**		**0.0%**	**(5,851)**	**n.s.**
Finance expense	(1,403)			-4.8%	(1,410)		-2.9%	(7)	-0.5%
Finance income	1,668			5.7%	1,209		2.5%	459	38.0%
Profit before tax	**(5,573)**	**(409)**		**-19.0%**	**(188)**		**-0.4%**	**(5,385)**	**n.s.**
Income tax	62			0.2%	(751)		-1.6%	(813)	108.3%
Net profit (loss) of continuing operations before minority interest	**(5,511)**	**(409)**		**-18.8%**	**(939)**		**-2.0%**	**(4,572)**	**-486.9%**
Minority interest	-			**0.0%**	-		**0.0%**	-	**n/a**
Group net profit (loss) for period	**(5,511)**	**(409)**		**-18.8%**	**(939)**		**-2.0%**	**(4,572)**	**-486.9%**
Base earnings per share	**(0.156)**				**(0.106)**				
Diluted earnings per share	**(0.156)**				**(0.106)**				

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	Notes	at June 30, 2024	of which related parties	at December 31, 2023	of which related parties
ASSETS					
Intangible assets	1	83,101		85,827	
Property, Plant and equipment	2	6,658		7,185	
Investments in affiliate companies	3	4		4	
Investments in other companies	3	548		544	
Deferred tax assets	27	4,655		4,655	
Other non-current assets		457		502	
Total non-current assets		**95,423**		**98,717**	
Inventories	4	21,798		21,887	
Trade receivables	5	14,377	1	19,883	1
Income tax receivables	6	1,454		1,206	
Other current assets	7	1,918		2,151	
Other current financial assets	8	110		143	
Derivative instruments	31	71		102	
Cash & cash equivalents	9	5,633		11,428	
Total current assets		**45,361**		**56,800**	
Total assets		**140,784**		**155,517**	
LIABILITIES AND EQUITY					
Share capital		8,879		8,879	
Share premium reserve		136,400		136,400	
Other reserves		(59,158)		(49,960)	
Group shareholders' equity	**11**	**86,121**		**95,319**	
Equity attributable to minority interest	**11**	**-**		**-**	
Total shareholders' equity	**11**	**86,121**		**95,319**	
Medium-/long-term borrowing	13	10,177		13,481	
Employee benefit obligations	14	2,235		2,382	
Deferred tax liabilities	27	3,136		3,400	
Other non-current liabilities	15	957		899	
Business combination liabilities	18	-		740	
Total non-current liabilities		**16,505**		**20,902**	
Trade payables	16	11,733	112	11,668	137
Trade payables from affiliates companies	16	348	348	127	127
Short-term borrowing	13	18,585		18,021	
Income tax liabilities	6	837		1,779	
Other current liabilities	17	6,314		7,701	
Business combination liabilities	18	341		-	
Total current liabilities		**38,158**		**39,296**	
Total liabilities		**54,663**		**60,198**	
Total liabilities and equity		**140,784**		**155,517**	

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€'000)	Notes	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholder s' equity	Equity attributable to Minority interest	Total shareholder s' 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 June 30, 2024		-	-	-	-	-	-	-	-	-	(5,511)	(5,511)	-	(5,511)
Comprehensive other profit (loss):														
- Hedge transactions	30	-	-	-	-		(31)	-	-	-	-	(31)	-	(31)
- Actuarial gains/(losses) on defined benefit plans for employees		-	-	-	-		-	-	-		-	-	-	-
- Foreign balance sheets conversion difference		-	-	-	(4,215)	-			-	-	-	(4,215)	-	(4,215)
- Exchange differences on equity investments in foreign companies		-	-	-	-		-	-	522	-	-	522	-	522
Total Comprehensive result		-	-	-	**(4,215)**	-	**(31)**	-	**522**	-	**(5,511)**	**(9,235)**	-	**(9,235)**
- Performance Share Plan	31	-	-	-	-	37	-	-	-	-	-	37	-	37
Balance as at June 30, 2024		8,879	1,776	136,400	(3,840)	(54,351)	71	(543)	3,902	(662)	(5,511)	86,121	-	86,121

CONDENSED CASH FLOW STATEMENT

(€'000)		at June 30, 2024	at June 30, 2023
Cash flow generated (used) in operations	A	(366)	(721)
Cash flow generated (used) in investment activities	B	(2,055)	(1,766)
Cash flow generated (absorbed) by financial assets	C	(2,818)	(3,146)
Net foreign exchange difference	D	(556)	(707)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(5,795)	(6,340)
Opening amount in cash & cash equivalents		**11,428**	**18,110**
Cash & cash equivalents at end of period		**5,633**	**11,770**

NET FINANCIAL POSITION

(€'000)		at June 30, 2024	at December 31, 2023	at June 30, 2023
Cash	A	5,633	11,428	11,770
Cash equivalents	B	-	-	-
Other current financial assets	C	181	245	311
Cash equivalent	**D=A+B+C**	**5,814**	**11,673**	**12,081**
Current financial debt	E	8,249	4,547	2,241
Current portion of non-current financial debt	F	10,336	13,474	11,913
Other current financial liabilities	G	341	-	-
Short-term financial position	**H=E+F+G**	**18,926**	**18,021**	**14,154**
Short-term net financial position	**I=H-D**	**13,112**	**6,348**	**2,073**
Non current financial debt	J	10,177	13,481	15,685
Debt instrument	K	-	-	-
Trade payables and other non-current payables	L	-	740	900
Medium-/long-term net financial position	**M=J+K+L**	**10,177**	**14,221**	**16,585**
(NET FINANCIAL POSITION) NET DEBT ESMA	**N=I+M**	**23,289**	**20,569**	**18,658**

NET WORKING CAPITAL

(€'000)	2024 (b)	31, 2023 (a)	2023	Changes (b-a)
Inventories	21,798	21,887	26,345	(89)
Trade receivables	14,377	19,883	15,712	(5,506)
Income tax receivables	1,454	1,206	1,396	248
Other current assets	1,918	2,151	2,019	(233)
Current assets	**39,547**	**45,127**	**45,472**	**(5,580)**
Trade payables	(11,733)	(11,668)	(14,233)	(65)
Trade payables from affiliates companies	(348)	(127)	0	(221)
Income tax liabilities	(837)	(1,779)	(745)	942
Other current liabilities	(6,314)	(7,701)	(7,209)	1,387
Current liabilities	**(19,232)**	**(21,275)**	**(22,187)**	**2,043**
Net working capital	**20,315**	**23,852**	**23,285**	**(3,537)**

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