CONSOLIDATED INTERIM MANAGEMENT REPORT

at 30 september 2022

This document has been translated into English for the convenience of readers outside Italy. The original Italian document should be considered the authoritative version.

Date of issue: 14 November 2022
This report is available online
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

CONTENTS

Corporate Bodies

Board of Directors	
Chairperson	Patrizio Mapelli
Deputy Chairperson	Aldo Fumagalli [1]
Director	Paul Chawla
Director	Marco Costaguta [1]
Director	Susanna Curti [1 5]
Director	Maria Grazia Filippini [1 2 3 4 5]
Director	Antongiulio Marti [1 3]
Director	Chiara Mio [1 2 3 4 5]
Director	Laura Rovizzi [1 2 4]

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 28 April 2020 and was supplemented at the Annual General Meeting of 11 June 2021; it will remain in office until approval of the 2022 financial statements.

Board of Statutory Auditors	
Chairperson	Fabio Monti
Statutory Auditor	Pietro Biagio Monterisi
Statutory Auditor	Daniela Savi
Substitute Auditor	Daniele Englaro
Substitute Auditor	Luigina Zocco

The Board of Statutory Auditors currently in office was appointed by shareholders at the Annual General Meeting of 28 April 2020 and was supplemented at the Annual General Meeting of 28 April 2022; it will remain in office until approval of the 2022 financial statements.

Independent auditor	
	PricewaterhouseCoopers

The independent auditor was appointed for the period 2014-2022 by shareholders at the Annual General Meeting of 24 April 2014.

Corporate name and registered offices of the Parent Company	
	Eurotech S.p.A. Via Fratelli Solari 3/A 33020 Amaro (UD), Italy Udine Company Register number 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

3rd Q 2022	%	3rd Q 2021	%	% change	(€'000) OPERATING RESULTS		9M 2022	%	9M 2021	%	% change
25,084	100.0%	17,224	100.0%	45.6%	SALES REVENUES		59,825	100.0%	43,954	100.0%	36.1%
12,014	47.9%	7,618	44.2%	57.7%	GROSS PROFIT MARGIN	(*)	26,793	44.8%	20,822	47.4%	28.7%
2,973	11.9%	64	0.4%	n.s	EBITDA ADJ	(****)	1,407	2.4%	(1,641)	-3.7%	185.7%
(920)	-3.7%	(57)	-0.3%	-1514.0%	Non recurring costs		(920)	-1.5%	(1,472)	-3.3%	37.5%
2,053	8.2%	7	0.0%	n.s	EBITDA	(**)	487	0.8%	(3,113)	-7.1%	115.6%
817	3.3%	(1,119)	-6.5%	173.0%	EBIT	(***)	(3,173)	-5.3%	(6,531)	-14.9%	51.4%
956	3.8%	(1,056)	-6.1%	190.5%	PROFIT (LOSS) BEFORE TAXES		(3,362)	-5.6%	(6,842)	-15.6%	50.9%
521	2.1%	(1,128)	-6.5%	146.2%	GROUP NET PROFIT (LOSS) FOR THE PERIOD		(3,742)	-6.3%	(6,889)	-15.7%	45.7%

(*) **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.

(****) **ADJ. EBITDA** is an intermediate figure, determined gross of non-recurring costs and revenues, before amortisation, depreciation and impairment of fixed assets, financial income and expenses, valuations of affiliates at equity and income taxes for the period. 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 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.

Statement of financial position data

BALANCE SHEET AND FINANCIAL HIGHLIGHTS	€'000	at September 30, 2022	at December 31, 2021	at September 30, 2021
NET NON-CURRENT ASSETS		111,630	101,000	102,659
NET WORKING CAPITAL		19,229	10,444	13,051
NET INVESTED CAPITAL*		124,039	103,861	108,429
SHAREHOLDERS' EQUITY		108,339	110,436	113,252
NET FINANCIAL POSITION		15,700	(6,210)	(4,823)

(*) Non-current, non-financial assets, plus net working capital, minus non-current, non-financial liabilities.

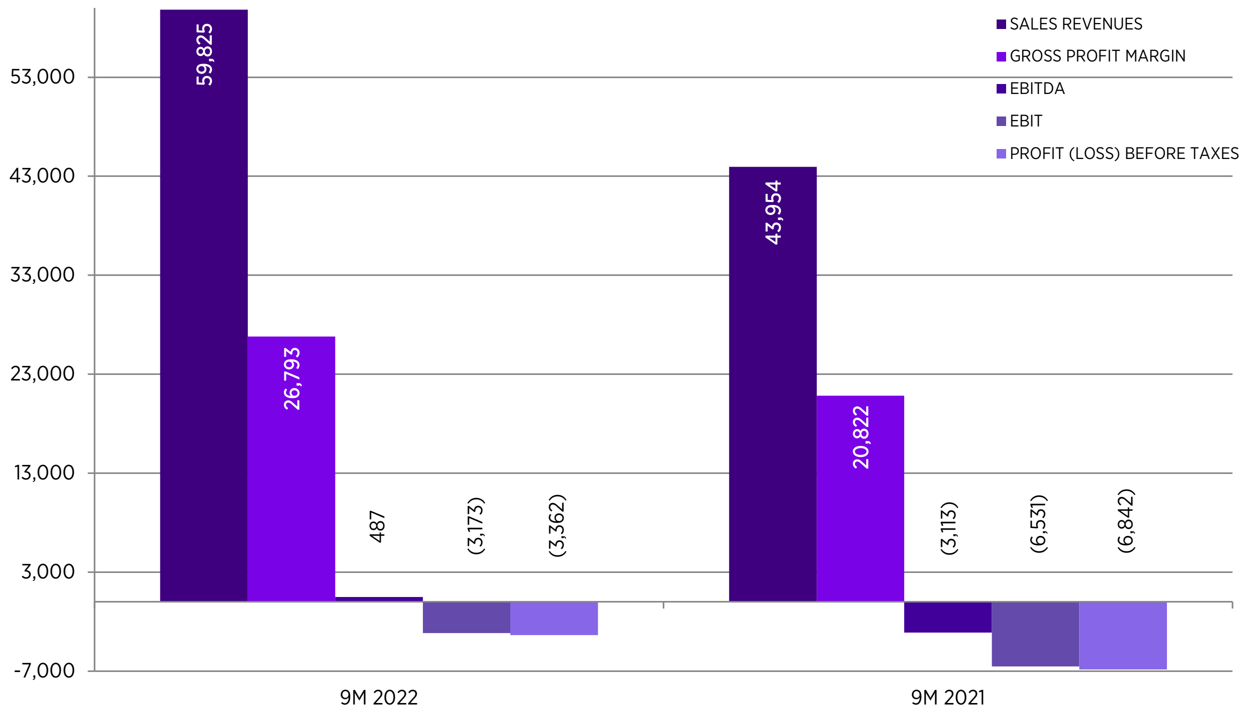
Number of employees

	at September 30, 2022	at December 31, 2021	at September 30, 2021
EMPLOYEES	388	324	332

Revenues by business line

The Group's only business line is the “NanoPC” line, which comprises a) miniaturised electronic modules and systems for the industrial automation, transport and off-road, medical, networks and energy, telecommunications sectors; b) Edge gateway, Edge Server, Edge AI and software platforms for the Internet of Things.

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. at 30 September 2022

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	89,920
Stock market capitalisation (based on the share’s average price in September 2022)	€100 million
Stock market capitalisation (based on the share’s reference price at 30 September 2022)	€101 million

Performance of Eurotech S.p.A. shares

Relative performance EUROTECH S.p.A.
01.01.2022 – 30.09.2022

The line graph 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 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, including Gartner's prestigious Magic Quadrant for Industrial IoT Platforms, where in 2021 we are present for the third year in a row.

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 has 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 IBM, 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.

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;
- 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 servers, i.e. computing units similar to the units that make up the data centres but rugged because they are located in the field, close to the assets and dedicated to local processing of the data they generate;
- Edge AI, i.e. high-performance computing systems equipped with GPU accelerators to 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 five vertical markets combining larger size and higher growth rates in the next five years: industrial automation, transport & offroad, medical, renewable energies & networks for energy-gas-water, 5G telecommunications.

Summary of performance in the third quarter of 2022 and business outlook

Introduction

The interim management statement of the Eurotech Group at 30 September 2022, which has not been independently audited, and the statements for comparative periods were drawn up according to the IAS/IFRS standards issued by the International Accounting Board and endorsed by the European Union.

The Group’s results at 30 September 2022 and comparable periods were prepared according to the IAS/IFRS standards 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 the financial statements at 30 September 2022 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 at 31 December 2021, to which express reference is made, except for the adoption of new standards, amendments and interpretations in force as of 1 January 2022.

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;
- **ADJ. EBITDA** is an intermediate figure, determined gross of non-recurring costs and revenues, before amortisation, depreciation and impairment of fixed assets, financial income and expenses, valuations of affiliates at equity and income taxes for the period. 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 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;
- **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

The third quarter of the year was characterised by a significant recovery in turnover compared to the previous quarters and by the acquisition of the German company InoNet Computer GmbH (as described in paragraph B-bis).

The third quarter generated revenues in the amount of €25.08 million, 45.6% higher than the corresponding quarter of 2021 (+36.9% at constant exchange rates) and 44.9% higher than the second quarter. This increase is mainly the result of organic growth, as the consolidation for just one month of the newly acquired company InoNet Computer GmbH contributed €1.44 million to the quarterly turnover.

The procurement of electronic components in recent months has improved considerably, even if the shortage problem is not yet completely resolved. Undelivered scheduled orders due to unavailability of electronic components amounted to approximately €2 million.

The significant growth in the quarter just ended was reflected in a turnover of €59.82 million in the first nine months of 2022, compared to €43.95 million in the nine months of 2021. The increase at constant exchange rates was 29.9%, while at historical exchange rates the increase was 36.1%. Net of external growth, the increase was 26.8% at constant exchange rates and 32.8% at historical exchange rates.

As already in the first half-year, the traditional embedded business was decisive for the performance in the period. The IoT projects activated in previous years also maintained a growth trend in line with the 2021 performance.

Again with reference to the third quarter, the first margin rose to 47.9% of turnover, i.e. a value very close to the historical margins of the Eurotech Group. The improvement of 370 bps in the percentage margin compared to the second quarter of the year – and of 700 bps compared to the first quarter – is the combined effect of the actions taken to mitigate the impact of the component shortage and the improved product mix.

Thanks to the level of turnover and the first margin achieved, the EBITDA of the third quarter was positive for €2.05 million. After taking into account non-recurring acquisition-related costs of €0.9

million, adjusted EBITDA amounted to €2.97 million, with an EBITDA margin of 11.9%. The newly acquired InoNet Computer GmbH contributed €0.1 million to this result for September alone.
The result achieved in the third quarter of this year made it possible to largely offset the negative EBITDA recorded in the first six months.

With reference to the **breakdown of revenues by location** of the Group's activities, all areas recorded a double-digit increase, but the greatest increase was recorded in the Japanese area, which grew by 58.9% and thus retained second place with a contribution of 34.1% of the total figure (in the nine months of 2021: 29.2%); the American area recorded a growth of 25.8% and continues to be the most significant in the nine months of 2022 with 44.3% (in the nine months of 2021 it was 47.9%); finally, the European area accounted for the remaining 21.7% of the Group's turnover (in line with the nine months of 2021), with an increase of 28.6% compared to the turnover recorded in the first nine months of 2021.

The **gross profit margin** for the nine months was €26.79 million, representing 44.8% of turnover, up compared to 42.5% in the first six months of 2022 and 40.9% in the first quarter of the year. The increase in percentage of the gross profit margin is the effect of both a different mix of products sold and the lower impact of costs incurred to purchase some low-availability components as a result of the corrective actions implemented.

In the nine months under review, **operating costs** before adjustments made and net of non-recurring costs amounted to €27.48 million, compared to €25.06 million in the first nine months of 2021. The increase is 9.7% which however decreases to 7.9% if costs are compared at constant exchange rates.
The increase in operating costs is in line with the plan to strengthen the go-to-market, particularly in the US, and the Research & Development, and contains one-off items for recruiting costs of approximately €0.5 million. By virtue of the fabless model adopted, operating costs are substantially fixed and the trends in turnover and gross profit margin are the fundamental variable for the activation of operating leverage, as became clear during the third quarter of this year.

The **non-recurring costs** of 2022, which amounted to €0.92 million, relate to the expenses incurred for the acquisition of InoNet Computer GmbH, which, pursuant to IFRS 3, must be accounted for as expenses for the period. In 2021, on the other hand, the non-recurring costs represented in the income statement referred mainly to the change of the CEO.

Adjusted EBITDA in the first nine months amounted to €1.41 million (2.4% of revenues), compared to a loss of €1.64 million in 2021 (-3.7% of revenues). Considering non-recurring costs, EBITDA was €0.49 million in the first nine months of 2022 versus -€3.11 million in the nine months of 2021.

Adjusted EBIT of the first nine months, i.e. the operating result for the period net of non-recurring costs, was -€2.25 million (-3.8% of revenues), compared to -€5.06 million in 2021 (-11.5% of revenues). In addition to the above, this performance also reflects the depreciation and amortisation recognised in the income statement in the first nine months of 2022, deriving from operating assets becoming subject to depreciation and amortisation in that same period. Operating result (EBIT), including non-recurring costs, amounted to -€3.17 million (-€6.53 million in the nine months of 2021)

Financial management in the first nine months of 2022 was negative for €189 thousand, while it was negative for €311 thousand in the first nine months of 2021. For greater detail, please refer to the comments made in Note "J".

In terms of the Group's **net result**, the figure for the first nine months was -€3.74 million (-6.3% of revenues), while it was -€6.89 million in the same period of 2021 (-15.7% of revenues).

At 30 September 2022, the Group had a **net financial debt** of €15.7 million, compared to a net positive cash balance of €6.2 million at 31 December 2021. The reduction in the net financial position was also due to the utilisation of cash for the acquisition, and to the €8.88 million increase in **net working capital**, which amounted to €19.3 million at 30 September 2022, compared to €10.4 million at 31 December 2021. The growth in working capital is related to both the dynamics of component purchase to maximise production from the existing order book, and the consolidation of InoNet Computer GmbH's working capital of €2.26 million. The ratio of net working capital to pro-forma turnover for the last rolling 12 months, i.e. considering InoNet's potential contribution over 12 months, was 20.2%.

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)	Notes	9M 2022 (b)	*of which non recurrent*	*of which related parties*	%	9M 2021 (a)	*of which non recurrent*	*of which related parties*	%	change (b-a) amount	change (b-a) %
Sales revenue	C	59,825		6	100.0%	43,954		9	100.0%	15,871	36.1%
Cost of material	D	(33,032)			-55.2%	(23,132)			-52.6%	9,900	42.8%
Gross profit		**26,793**			**44.8%**	**20,822**			**47.4%**	**5,971**	**28.7%**
Services costs	E	(11,081)	(920)	(365)	-18.5%	(10,169)	(1,270)	(751)	-23.1%	912	9.0%
Lease & hire costs		(624)			-1.0%	(293)			-0.7%	331	113.0%
Payroll costs	F	(16,183)	-		-27.1%	(15,236)			-34.7%	947	6.2%
Other provisions and costs	G	(515)	-		-0.9%	(837)	(202)		-1.9%	(322)	-38.5%
Other revenues	H	2,097			3.5%	2,600			5.9%	(503)	-19.3%
EBITDA		**487**	**(920)**		**0.8%**	**(3,113)**	**(1,472)**		**-7.1%**	**3,600**	**-115.6%**
Depreciation & Amortization	I	(3,660)			-6.1%	(3,418)			-7.8%	242	7.1%
Asset impairment	I	0	-		0.0%	0			0.0%	0	n/a
EBIT		**(3,173)**	**(920)**		**-5.3%**	**(6,531)**	**(1,472)**		**-14.9%**	**3,358**	**51.4%**
Finance expense	J	(2,297)			-3.8%	(900)			-2.0%	1,397	155.2%
Finance income	J	2,108		1	3.5%	589		1	1.3%	1,519	257.9%
Profit before tax		**(3,362)**	**(920)**		**-5.6%**	**(6,842)**	**(1,472)**		**-15.6%**	**3,480**	**50.9%**
Income tax	K	(380)			-0.6%	(47)			-0.1%	333	n.s.
Net profit (loss) of continuing operations before minority interest		**(3,742)**	**(920)**		**-6.3%**	**(6,889)**	**(1,472)**		**-15.7%**	**3,147**	**45.7%**
Minority interest	**O**	**-**			**0.0%**	**-**			**0.0%**	**-**	**n/a**
Group net profit (loss) for period	**O**	**(3,742)**	**(920)**		**-6.3%**	**(6,889)**	**(1,472)**		**-15.7%**	**3,147**	**45.7%**
Base earnings per share		**(0.106)**				**(0.195)**					
Diluted earnings per share		**(0.106)**				**(0.195)**					

(€ '000)	3rd Qtr 2022	of which non recurrent	%	3rd Qtr 2021	of which non recurrent	%
Sales revenue	25,084		100%	17,224		100%
Cost of material	(13,070)		-52.1%	(9,606)		-55.8%
Gross profit	**12,014**		**47.9%**	**7,618**		**44.2%**
Services costs	(4,355)	(920)	-17.4%	(2,984)	(57)	-17.3%
Lease & hire costs	(254)		-1.0%	(84)		-0.5%
Payroll costs	(5,755)		-22.9%	(5,082)		-29.5%
Other provisions and costs	(137)		-0.5%	(227)		-1.3%
Other revenues	540		2.2%	766		4.4%
EBITDA	**2,053**		**8.2%**	**7**		**0.0%**
Depreciation & Amortization	(1,236)		-4.9%	(1,126)		-6.5%
Asset impairment	0		0.0%	0		0.0%
EBIT	**817**		**3.3%**	**(1,119)**		**-6.5%**
Finance expense	(1,008)		-4.0%	(95)		-0.6%
Finance income	1,147		4.6%	158		0.9%
Profit before tax	**956**		**3.8%**	**(1,056)**		**-6.1%**
Income tax	(435)		-1.7%	(72)		-0.4%
Net profit (loss) of continuing operations before minority interest	**521**		**2.1%**	**(1,128)**		**-6.5%**
Minority interest	**0**		**0.0%**	**0**		**0.0%**
Group net profit (loss) for period	**521**		**2.1%**	**(1,128)**		**-6.5%**

Consolidated statement of comprehensive income

(€ '000)	9M 2022	9M 2021
Net profit (loss) before minority interest (A)	**(3,742)**	**(6,889)**
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	202	46
Tax effect	-	-
	202	46
Foreign balance sheets conversion difference	*(3,841)*	*(1,063)*
Exchange differences on equity investments in foreign companies	5,020	2,162
Tax effect	-	-
	5,020	*2,162*
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)	**1,381**	**1,145**
After taxes net other comprehensive income not being reclassified to profit or loss in subsequent periods (C)	-	-
Comprehensive net result (A+B+C)	**(2,361)**	**(5,744)**
Comprehensive minority interest	**-**	**-**
Comprehensive Group net profit (loss) for period	**(2,361)**	**(5,744)**

Consolidated statement of financial position

(€'000)	Notes	at September 30, 2022	of which related parties	at December 31, 2021	of which related parties
ASSETS					
Intangible assets	L a	95,517		88,043	
Property, Plant and equipment	L b	7,956		5,229	
Investments in other companies		560		542	
Deferred tax assets		6,957		6,504	
affiliates companies and other Group companies		72	72	62	62
Other non-current assets		568		620	
Total non-current assets	**L**	**111,630**		**101,000**	
Inventories		30,422		17,646	
Trade receivables		16,178	2	11,280	1
Income tax receivables		751		801	
Other current assets		1,595		2,130	
Other current financial assets		139	3	123	2
Derivative instruments		196		4	
Cash & cash equivalents		14,827		31,704	
Total current assets		**64,108**		**63,688**	
Non-current assets classified as held for sale		**-**		**365**	
Total assets		**175,738**		**165,053**	
LIABILITIES AND EQUITY					
Share capital		8,879		8,879	
Share premium reserve		136,400		136,400	
Other reserves		(36,940)		(34,843)	
Group shareholders' equity	**O**	**108,339**		**110,436**	
Equity attributable to minority interest	**O**	**-**		**-**	
Total shareholders' equity	**O**	**108,339**		**110,436**	
Medium-/long-term borrowing		14,678		17,535	
Employee benefit obligations		2,720		2,844	
Deferred tax liabilities		3,047		3,200	
Other non-current liabilities		981		1,477	
Business combination liabilities		900		-	
Total non-current liabilities		**22,326**		**25,056**	
Trade payables		21,693	324	13,005	487
Short-term borrowing		15,356		8,137	
Derivative instruments		-		11	
Income tax liabilities		917		215	
Other current liabilities		7,107		8,193	
Total current liabilities		**45,073**		**29,561**	
Total liabilities		**67,399**		**54,617**	
Total liabilities and equity		**175,738**		**165,053**	

Consolidated statement of changes in shareholders' equity

(€'000)	Notes	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders ' equity	Equity attributable to Minority interest	Total shareholders ' equity
Balance as at December 31, 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 September 30, 2022		-	-	-	-	-	-	-	-	-	(3,742)	(3,742)	-	(3,742)
Comprehensive other profit (loss):														
- Hedge transactions		-	-	-	-		202	-	-	-	-	202	-	202
- Actuarial gains/(losses) on defined benefit plans for employees		-	-	-	-	-	-	-	-	-	-	-	-	-
- Foreign balance sheets conversion difference		-	-	-	(3,841)	-			-	-	-	(3,841)	-	(3,841)
- Exchange differences on equity investments in foreign companies		-	-	-	-	-	-	-	5,020	-	-	5,020	-	5,020
Total Comprehensive result		**-**	**-**	**-**	**(3,841)**	**-**	**202**	**-**	**5,020**	**-**	**(3,742)**	**(2,361)**	**-**	**(2,361)**
- Performance Share Plan		-	-	-	-	264	-	-	-	-	-	264	-	264
Balance as at September 30, 2022	**O**	**8,879**	**1,776**	**136,400**	**6,443**	**(49,875)**	**196**	**(621)**	**9,094**	**(211)**	**(3,742)**	**108,339**	**-**	**108,339**

(€'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, 2020		**8,879**	**1,776**	**136,400**	**11,457**	**(39,574)**	**(81)**	**(640)**	**1,197**	**(682)**	**132**	**118,864**	**-**	**118,864**
2020 Result allocation		-	-	-	-	132	-	-	-	-	(132)	-	-	-
Profit (loss) as at September 30, 2021		-	-	-	-	-	-	-	-	-	(6,889)	(6,889)	-	(6,889)
Comprehensive other profit (loss):														
- Hedge transactions		-	-	-	-		46	-	-	-	-	46	-	46
- Actuarial gains/(losses) on defined benefit plans for employees		-	-	-	-	-	-	-	-	-	-	-	-	-
- Foreign balance sheets conversion difference		-	-	-	(1,063)	-			-	-	-	(1,063)	-	(1,063)
- Exchange differences on equity investments in foreign companies		-	-	-	-	-	-	-	2,162	-	-	2,162	-	2,162
Total Comprehensive result		**-**	**-**	**-**	**(1,063)**	**-**	**46**	**-**	**2,162**	**-**	**(6,889)**	**(5,744)**	**-**	**(5,744)**
- Performance Share Plan		-	-	-	-	(339)	-	-	-	471	-	132	-	132
Balance as at September 30, 2021	**O**	**8,879**	**1,776**	**136,400**	**10,394**	**(39,781)**	**(35)**	**(640)**	**3,359**	**(211)**	**(6,889)**	**113,252**	**-**	**113,252**

Net financial position

The table below shows the composition of the Group's net financial position at 30 September 2022, compared to the similar position at 30 September 2021 and 31 December 2021, 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 September 30, 2022	at December 31, 2021	at September 30, 2021
Cash	A	(14,827)	(31,704)	(33,439)
Cash equivalents	B	-	-	-
Other current financial assets	C	(335)	(123)	(121)
Cash equivalent	**D=A+B+C**	**(15,162)**	**(31,827)**	**(33,560)**
Current financial debt	E	2,241	99	152
Current portion of non-current financial debt	F	13,115	8,045	8,311
Short-term financial position	**G=E+F**	**15,356**	**8,144**	**8,463**
Short-term net financial position	**H=G+D**	**194**	**(23,683)**	**(25,097)**
Non current financial debt	I	14,678	17,535	20,335
Debt instrument	J	-	-	-
Trade payables and other non-current payables	K	900	-	-
Medium-/long-term net financial position	**L=I+J+K**	**15,578**	**17,535**	**20,335**
(NET FINANCIAL POSITION) NET DEBT ESMA	**M=H+L**	**15,772**	**(6,148)**	**(4,762)**
Medium/long term borrowing allowed to affiliates companies and other Group companies	N	(72)	(62)	(61)
(NET FINANCIAL POSITION) NET DEBT	**O=M+N**	**15,700**	**(6,210)**	**(4,823)**

Consolidated net financial debt at 30 September 2022 amounted to €15.70 million, compared to a positive net cash position of €6.21 million at 31 December 2021. This result was significantly affected by the acquisition made, which involved a) a financial outlay of €10.37 million for the purchase of the equity investment and related ancillary costs, b) the recognition of a financial liability for Earn-Out also related to the acquisition in the amount of €0.90 million, and c) the inclusion of the debt of the newly-acquired subsidiary InoNet Computer GmbH in the amount of €4.02 million, of which €3.76 million related to the recognition under financial liabilities of lease agreements (Right of Use) in application of IFRS 16 "Leases".

Net of this transaction, the organic debt on a like-for-like basis would have been only €0.41 million.

With reference to liquidity, which amounted to €14.8 million, in the period under review €6.0 million was used for operating cash, €11.3 million was used for investments and €6.3 million for repayment of loans offset by the assumption of new short-term loans of €6.0 million.

Net working capital

The Group's net working capital at 30 September 2022, compared with the situation at 30 September 2022 and 31 December 2021, is as follows:

(€'000)	at September 30, 2022 (b)	at December 31, 2021 (a)	at September 30, 2021	Changes (b-a)
Inventories	30,422	17,646	18,546	12,776
Trade receivables	16,178	11,280	10,275	4,898
Income tax receivables	751	801	1,744	(50)
Other current assets	1,595	2,130	2,201	(535)
Current assets	**48,946**	**31,857**	**32,766**	**17,089**
Trade payables	(21,693)	(13,005)	(11,523)	(8,688)
Income tax liabilities	(917)	(215)	(268)	(702)
Other current liabilities	(7,107)	(8,193)	(7,924)	1,086
Current liabilities	**(29,717)**	**(21,413)**	**(19,715)**	**(8,304)**
Net working capital	**19,229**	**10,444**	**13,051**	**8,785**

Cash flows

(€'000)		at September 30, 2022	at December 31, 2021	at September 30, 2021
Cash flow generated (used) in operations	A	(6,041)	3,279	824
Cash flow generated (used) in investment activities	B	(11,278)	(5,274)	(4,353)
Cash flow generated (absorbed) by financial assets	C	(267)	(8,059)	(4,707)
Net foreign exchange difference	D	709	536	453
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(16,877)	(9,518)	(7,783)
Opening amount in cash & cash equivalents		**31,704**	**41,222**	**41,222**
Cash & cash equivalents at end of period		**14,827**	**31,704**	**33,439**

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 communication sectors; 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.

Activity in this line is carried out by Eurotech S.p.A. and I.P.S. Sistemi Programmabili S.r.l., which mainly operate in Italy, and Eurotech Inc. (USA), which mainly operate in the US, Eurotech Ltd (United Kingdom), which mainly operates in the UK, Eurotech France S.A.S. (France), which mainly operates in France, and Advanet Inc. (Japan) operating mainly in Japan and InoNet Computer GmbH operating mainly in Germany and in the German-speaking areas. Our products are marketed under the trademarks Eurotech, Dynatem, IPS, Advanet e InoNet.

B – Scope of consolidation

The line-by-line consolidated companies in the scope of consolidation at 30 September 2022 are as follows:

Company name	Registered offices	Share capital		Group share
Parent company				
Eurotech S.p.A.	Via Fratelli Solari 3/A – Amaro (UD, Italy)	€	8,878,946	
Subsidiaries consolidated line-by-line				
Aurora S.r.l.	Via Fratelli Solari 3/A – Amaro (UD, Italy)	€	10,000	100.00%
EthLab S.r.l.	Via Dante, 300 – Pergine Valsugana (TN)	€	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.	Via Piave, 54 – Caronno Varesino (VA)	€	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 liquidation (formerly U.T.R.I. S.p.A.)	Via del Follatolo, 12 – Trieste, Italy	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%

At 30 September 2022, there was the following change in subsidiaries and affiliates compared to 31 December 2021:

- 12.09.2022 acquisition of 100% of the German company InoNet Computer GmbH.

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 9M 2022	As of September 30, 2022	Average 2021	As of December 31, 2021	Average 9M 2021	As of September 30, 2021
British pound sterling	0.84716	0.88300	0.85960	0.84028	0.86363	0.86053
Japanese Yen	135.96793	141.01000	129.87671	130.38000	129.83203	129.67000
USA Dollar	1.06384	0.97480	1.18274	1.13260	1.19622	1.15790

B bis – Business combinations – Acquisition of InoNet Computer GmbH

On 12 September 2022, the Eurotech Group purchased 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. The Consolidated Interim Management Report commented on in this document includes the result of InoNet Computer GmbH for the month of September, i.e. for the month in which the acquisition took place.

As a result of the short period between the date of acquisition and the end of the quarter, the price paid on the basis of the purchase method was provisionally allocated in full to goodwill. A final price allocation will then be defined with the support of an appointed expert by establishing the fair value in accordance with IFRS 3 of the identifiable assets and liabilities of InoNet Computer GmbH at the acquisition date.
The provisional values currently determined are as follows:

(€'000)	Value recognized for acquisition	Book value
ASSETS		
Intangible assets	8,299	186
Property, Plant and equipment	3,900	3,900
Deferred tax assets	13	13
Total non-current assets	**12,212**	**4,100**
Inventories	2,108	2,107
Trade receivables	2,585	2,585
Other current assets	181	181
Cash & cash equivalents	1	1
Totale current assets	**4,875**	**4,874**
Total assets	**17,087**	**8,973**
LIABILITIES		
Medium-/long-term borrowing	(3,820)	(3,820)
Deferred tax liabilities	(43)	(43)
Other non-current liabilities	(77)	(77)
Total non-current liabilities	**(3,940)**	**(3,940)**
Trade payables	(1,243)	(1,243)
Short-term borrowings	(869)	(869)
Income tax liabilities	(186)	(186)
Other current liabilities	(499)	(499)
Total current liabilities	**(2,797)**	**(2,796)**
Total liabilities	**(6,737)**	**(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	**920**
Total Cost of the Acquisition	**11,270**

The total cost of the acquisition of €11.27 million consists of a cash payment of €9,450 thousand, earn-out amounts to be paid of €900 thousand, and €920 thousand in accessory costs directly attributable to the acquisition.

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	920
Destined Net liquidity for the acquisition	**10,370**
Amounts to be cash out	404
Net liquidity used	**9,966**
Financial liabilities related to the earn-out	**900**

Since the date of acquisition, InoNet contributed a positive €70 thousand to the Group's net result, and a negative €920 thousand due to acquisition-related costs recognised in the income statement. The contribution for the consolidation period (one month), in terms of turnover, was €1.44 million.

C – Revenues

Revenues earned by the Group in the first nine months of 2022 amounted to €59.82 million (€43.95 million in the first nine months of 2021), an increase of €15.87 million or 36.1% compared to the same period of the previous year. At constant exchange rates, the increase would be 29.9%. The increase is the result of both the orders received last year and those collected in 2022.

For operating purposes, the Group is organised in a single business line, also known as business segment, called “NanoPC”.
Based on the criteria for monitoring activities currently used, a disclosure on a geographical basis is provided, in terms of the location of the Group’s various companies.
The Group’s geographical areas are defined according to the localisation of Group 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:

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	9M 2022	9M 2021	% YoY Change	9M 2022	9M 2021	% YoY Change	9M 2022	9M 2021	% YoY Change	9M 2022	9M 2021	% YoY Change	9M 2022	9M 2021	% YoY Change
Third party Sales	26,482	21,050		12,954	10,075		20,389	12,829		0	0		59,825	43,954	
Infra-sector Sales	1,294	480		5,051	3,507		269	28		(6,614)	(4,015)		0	0	
Total Sales revenues	27,776	21,530	29.0%	18,005	13,582	32.6%	20,658	12,857	60.7%	(6,614)	(4,015)	-64.7%	59,825	43,954	36.1%

All geographical areas have reported an increase in the quarters under review.
The North American business area’s revenues totalled €27.78 million in the first nine months of 2022 and €21.53 million in the first nine months of 2021, increased by 29.0%. This growth is due to the orders collected in 2021 mainly from consolidated customers. In 2022, revenues in the American area

are affected by a high concentration of turnover on a small number of long-standing customers with consolidated business.
In the European business area, turnover grew by 32.6% from €13.58 million in the first nine months of 2021 to €18.00 million in the first nine months of 2022. Net of the turnover generated by the new subsidiary InoNet, the increase would have been 21.9%. The area continues to focus on opportunities related to the transport sector, products related to High Performance Edge Computing (HPEC) technologies and energy transformation.
Finally, the Asian business area increased by 60.7% from €12.86 million to €20.66 million, due to the fluctuation of orders from its main local customers over the different quarters of the year, maintaining a positive outlook for the coming quarters.

Revenues by customer geographical area

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

(€' 000) BREAKDOWN BY GEOGRAPHIC AREA	9M 2022	%	9M 2021	%	% change
European Union	10,818	18.1%	7,928	18.0%	36.5%
United States	25,713	43.0%	19,750	44.9%	30.2%
Japan	20,242	33.8%	12,810	29.1%	58.0%
Other	3,052	5.1%	3,466	7.9%	-11.9%
TOTAL SALES AND SERVICE REVENUES	**59,825**	**100.0%**	**43,954**	**100.0%**	**36.1%**

With reference to the figures by customer geographic area shown in the table, the revenues of the Japanese area showed the greatest increase, with a 58.0% growth compared to the first nine months of 2021, and it is confirmed as the second area on the total turnover with a 33.8% incidence.
The Europe area recorded the second highest increase in revenues with reference to customer location, + 36.5%, confirming an impact on total turnover of around 18%. The revenues of InoNet are all attributable to the Europe area.
Finally, the United States grew by 30.2% and the region's share of total turnover in the first nine months of 2022 was 43.0%, proving to be the most significant area.
The other geographical areas completed the remaining 5.1% of total turnover (7.9% at 30 September 2021), with a reduction in both absolute and percentage terms compared to the first nine months of 2021.

D – Costs of raw & auxiliary materials and consumables used

Costs of raw & ancillary materials and consumables used, which are closely related to turnover, show a more than proportional growth in the periods being considered compared to revenues, increasing from €23.13 million in the first nine months of 2021 to €33.03 million in the first nine months of 2022. In the period under review there was thus a variation of €9.90 million (42.8%). The higher component costs (PPV) when recharged to customers, while limiting losses, have an effect on the percentage margin, which is therefore lower than in 2021 when this issue was not present.

As a percentage of revenues, costs of raw & auxiliary materials and consumables used stood at 55.2% in the first nine months of 2022, compared to 52.6% in the first nine months of 2021.

E – Service costs

Service costs increased by €0.91 million in the period under comparison.
In both periods under comparison, although for different reasons, non-recurring costs were incurred, which in the first nine months of 2022 amounted to €0.92 million and related to the costs incurred for the acquisition of InoNet Computer GmbH, while in 2021 non-recurring costs amounted to €1.27 million and were related to the replacement of the Chief Executive Officer. Net of these non-recurring costs, service costs increased by €1.32 million or 14.8% from €8.90 million to €10.16 million, and the ratio to revenues decreased from 20.2% in the first nine months of 2021 to 17.0% in the first nine months of 2022.
The increase in service costs net of non-recurring costs is partly related to higher production costs and partly to ancillary costs linked to the implementation of the new corporate strategy (consultancy and personnel recruitment costs linked to the various recruitments made mainly abroad). These higher costs that do not have a constant run rate will be diluted over the course of the year.
In addition, the Group continued to invest particularly on the business line of the IoT platforms for applications in the industry and in services in addition to developments linked to the Edge Computer product line and those correlated to traditional embedded products line. The purpose of these investments is to support the research and development area to maintain a product portfolio in line with the technological innovations proposed by the producers of raw materials and components.

F – Payroll costs

Payroll costs went from €15.24 million (34.7% of revenues) to €16.18 million (27.1% of revenues) in the reporting period. The increase of €0.9 million is due to both the different exchange rate applied to the translation of foreign quarterly reports (€0.2 million) and the higher incidence of costs related to the various share performance plans and to an increase in wage costs. Wages and Salaries in fact included €264 thousand relating to the pro-rata temporis portion of the cost of the Share Performance Plan in place (in the first quarter of 2021, the amount recorded under costs was €29 thousand).
At the end of September 2022, the number of employees net of InoNet Computer GmbH (71 units) decreased by 7 units compared to the end of 2021 and by 15 units compared to September 2021 as a result of some exits not always promptly replaced by new hires that take longer to be finalised.

The table below shows the number of Group employees:

EMPLOYEES	at September 30, 2022	at December 31, 2021	at September 30, 2021
Manager	10	9	10
Clerical workers	313	293	300
Line workers	65	22	22
TOTAL	388	324	332

G – Other provisions and costs

At 30 September 2022, this item included a provision for doubtful accounts of €13 thousand (€56 thousand in the first nine months of 2021), and refers to provisions made for the possibility of non-collectable trade receivables.
Other provisions and costs as a percentage of revenues decreased in absolute terms (€322 thousand) due to lower provisions for risks, lower operating costs and growth in turnover, and consequently the percentage of revenues was 0.5% (in the first nine months of 2021: 1.9%).

H – Other revenues

Other revenues show a decrease from €2.60 million in the first nine months of 2021 to €2.10 thousand in the first nine months of 2022.
Other revenues comprise the capitalisation of development costs for new solutions featuring highly integrated standard modules and systems for €1.93 million (€2.51 million in the first nine months of 2021) and other income of €0.16 million (€0.09 million in the first nine months of 2021).

I – Depreciation, amortisation and impairment

This item increased by €242 thousand, from €3.42 million in the first nine months of 2021 to €3.66 million in the first nine months of 2022. This item includes depreciation and amortisation of €911 thousand due to the application of IFRS 16 (€924 thousand in 2021).

J – Financial income and expenses

Financial expenses fell from €0.90 million in the first nine months of 2021 to €2.30 million in the first nine months of 2022 mainly due to exchange rate losses.

Financial income, again due to exchange rates, increased by €1.52 thousand from €0.59 million in the first nine months of 2021 to €2.11 million in the first nine months of 2022.

The absolute value and percentage on revenues of the main components of the financial income and expenses item were as follows:

- foreign exchange losses: €2.00 million at 30 September 2022, with a percentage of revenues of 3.3%, compared to €0.54 million at 30 September 2021, with a percentage of revenues of 1.2%;
- foreign exchange gains: €2.09 million at 30 September 2022, with a percentage of revenues of 3.5%, compared to €0.58 million at 30 September 2022, with a percentage of revenues of 1.3%;
- miscellaneous interest expenses: €233 thousand at 30 September 2022, with an incidence of 0.4%, compared to €267 thousand at 30 September 2021, with a percentage of revenues of 0.6%.

€'000	9M 2022	9M 2021	change %
Exchange-rate losses	2,002	541	270.1%
Interest expenses	204	230	-11.3%
Interest expenses on lease liabilities	29	37	-21.6%
Expenses on derivatives	15	38	-60.5%
Other finance expenses	47	54	-13.0%
Financial charges	**2,297**	**900**	**155.2%**
Exchange-rate gains	2,092	585	257.6%
Interest income	1	1	0.0%
Other finance income	15	3	400.0%
Financial incomes	**2,108**	**589**	**257.9%**
Net financial income	**(189)**	**(311)**	**-39.2%**
% impact on sales	**-0.3%**	**-0.4%**	

K – Income taxes

Income taxes at 30 September 2022 were negative overall in the amount of €380 thousand (of which €595 thousand for current taxes and €215 thousand for net deferred tax assets) compared to a negative impact of €47 thousand at 30 September 2021 (of which €121 thousand for current taxes and €183 thousand for net deferred tax liabilities and charges for taxes from previous years in the amount of €109 thousand), recording a negative change of €333 thousand.

L – Non-current assets

The net increase in non-current assets compared to 31 December 2021 amounted to €9.73 million and was mainly due to the increase in the item goodwill as a result of the acquisition of InoNet Computer GmbH for €8.11 million, of the item fixed assets with right of use for a net value of €3.76 million, as well as of changes in exchange rates of property, plant and equipment and intangible assets that generated a negative effect of €0.55 million.
Net investments in property, plant and equipment and intangible assets amounted to €2.23 million is partly offset by amortisation and depreciation of €3.66 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	TOTAL INTANGIBLE ASSETS
OPENING BALANCE (A)	**4,471**	**69,721**	**9,512**	**4,339**	**88,043**
Changes as at September 30, 2022					
- Purchases	232	-	91	1,708	2,031
- Amortisation and impairment in period (-)	(1,793)	-	(530)	-	(2,323)
Changes in consolidation area / IFRS3	66	8,113	30	100	8,309
- Other changes	2,507	21	(134)	(2,937)	(543)
Total changes (B)	**1,012**	**8,134**	**(543)**	**(1,129)**	**7,474**
CLOSING BALANCE (A+B)	**5,483**	**77,855**	**8,969**	**3,210**	**95,517**

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 September 30, 2022		at December 31, 2021	
Cash generating units	**Goodwill**	**Trademark with an indefinite useful life**	**Goodwill**	**Trademark with an indefinite useful life**
Advanet Inc.	39,548	7,482	42,773	8,122
Inonet Computer Gmbh	8,113	-	-	-
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	25,158	-	21,661	-
Eurotech Ltd. (ex Arcom Ltd.)	4,946	-	5,197	-
Eurotech France S.a.s.	-	-	-	-
Other	90	-	90	-
TOTAL	**77,855**	**7,482**	**69,721**	**8,122**

In 2022, the increase in values with indefinite useful life was attributable for €8,113 thousand to the effect of the change in the scope of consolidation related to the acquisition of InoNet Computer GmbH and it decreased by €619 thousand due to the effect of different exchange rates.

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)	**1,697**	**450**	**328**	**571**	**-**	**2,183**	**5,229**
Changes as at September 30, 2022							
- Purchases	-	8	46	133	10	38	235
- Disposals	-	-	-	(16)	-	(111)	(127)
- Amortisation and impairment in period (-)	(46)	(54)	(133)	(179)	-	(925)	(1,337)
Changes in consolidation area / IFRS3	-	-	65	72	-	3,764	3,901
- Other changes	(2)	(23)	(10)	(31)	(1)	122	55
Total changes (B)	**(48)**	**(69)**	**(32)**	**(21)**	**9**	**2,888**	**2,727**
CLOSING BALANCE (A+B)	**1,649**	**381**	**296**	**550**	**9**	**5,071**	**7,956**

M – Net working capital

Net working capital increased by €8.78 million from €10.44 million at 31 December 2021 to €19.23 million at 30 September 2022.
This increase is affected by the change in the scope of consolidation for €2.26 million (following the consolidation of the subsidiary InoNet Computer GmbH), by the net effect of exchange rates that increased net working capital by €0.24 million, and finally by the increase in inventories and the actual different trend in collection and payment flows as generally occurs during the quarters.

The increase in current assets of €17.09 million is due for €4.02 million to the change in the scope of consolidation, for €0.43 million to the exchange rate effect, and the remaining effect of €12.6 million mainly to the increase in inventories for €10.33 million as well as the increase in trade receivables for €2.97 million and the decrease in other current assets and income tax receivables for € 0.67 million.
The increase in current liabilities, which does not offset the increase in current assets, amounted to €8.30 million, of which €1.76 million due to the effect of the change in the scope of consolidation and €0.20 million for the exchange rate effect; the remaining €6.35 million was the combined effect of an increase in trade payables for €7.39 million and a decrease in other current liabilities and income tax payables for a total of €1.04 million.

N – Net financial position

The consolidated net financial debt at 30 September 2022 amounted to a net cash of €15.70 million compared to a net cash position of €6.21 million at 31 December 2021. The figures shown include financial liabilities for rights of use, in application of the IFRS 16 accounting standard, amounting to €5.09 million and a business combination debt of €0.90 million, which when subtracted from the net financial debt give a pre-IFRS16 debt of €9.71 million.
With reference to liquidity, which amounted to €14.83 million, in the period under review, as can be inferred from the cash flow statement, there was a utilisation of operating cash of €6.0 million, while €11.3 million was used for investments, of which €10.37 million for the acquisition of InoNet Computer GmbH and €6.3 million for the repayment of loans, offset by the assumption of new short-term loans in the amount of €6.0 million.

The trend in cash flows from operations is the result of the use of cash to support current operations and is due to the expected trends there will be an improvement in the coming quarters.
See also financial cash flows, as indicated on page 20.

Medium/long-term financial liabilities include principal on bank loans and finance leases falling due beyond 12 months.
Short-term financial liabilities mainly consist of current account overdrafts, the current portion of mortgage loans, and payables to other lenders falling due by 30 September 2023.

O – Changes in shareholders' equity

The share capital at 30 September 2022 was made up of 35,515,784 ordinary shares, fully subscribed and paid up, with no nominal value.

The balance of the Issuer's legal reserve at 30 September 2022 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 positive translation reserve of €6.44 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 €49.87 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 2021 results and to the booking of Eurotech’s Share Performance Plan for the period described in a specific section of the 2021 Consolidated Financial Statements.

The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IAS 39, was positive for €196 thousand and increased by €264 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 €9.09 thousand and increased by €5.02 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 89,920, the same number at 31 December 2021.

P – Significant events in the quarter

The major events of the quarter were announced in the press releases listed below (the complete text can be consulted at the Group's website www.eurotech.com on the page http://www.eurotech.com/it/category/news-it/):

28/07/2022 Eurotech edge gateways obtain Arm SystemReady certification
12/09/2022 Eurotech announces the acquisition of InoNet Computer GmbH
15/09/2022 Change in the composition of the Appointments and Remuneration Committee
22/09/2022 Eurotech announces the first edge AI gateway for road transport and fleet management with IEC 62443-4-2 safety certification and the new high-precision AI-based passenger counter

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

Q – Events after 30 September 2022

For events after 30 September, please refer to the press releases listed below (the complete text can be consulted at the Group website www.eurotech.com on page http://www.eurotech.com/it/category/news-it/):

10/10/2022 In the period from 3 to 7 October, no. 103,000 ordinary shares for a total value of €305 thousand were acquired

17/10/2022 In the period from 10 to 14 October, no. 62,686 ordinary shares for a total value of €188 thousand were acquired

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 2021 Consolidated Financial Statements and the Consolidated Financial Report at 30 June 2022, which illustrate the risks to which the Eurotech Group is exposed.

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. 15519/2006, it should be noted that the consolidated quarterly report at 30 September 2022 highlights non-recurring economic items, i.e. income items generated by events whose occurrence is non-recurring or by transactions or events that do not occur frequently in the ordinary course of business;
- pursuant to CONSOB communication no. DEM/6064296 of 28 July 2006, in the first nine months of 2022 there were no atypical and/or unusual transactions carried out;
- at 30 September 2022 the company held 89,920 treasury shares for a total value of €211 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 2022	**89,920**	**22**	**0.25%**	**211**	**2.35**
Purchases	-	-	0.00%	-	
Sales	-	-	0.00%	-	
Assignment-Performance share Plan	-	-	0.00%	-	
Status as at 30 September 2022	**89,920**	**22**	**0.25%**	**211**	**2.35**

At the date of approval of this report, the number of shares held in the portfolio was 255,606 treasury shares.

- The detailed Corporate Governance report is provided with the annual financial statements;

- 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, 14 November 2022

On behalf of the Board of Directors

Signed by Mr. Paul Chawla
Chief Executive Officer

Declaration of the Financial Reporting Manager

Amaro, 14 November 2022

DECLARATION

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 at 30 September 2022 approved by the company's Board of Directors on 14 November 2022,

STATE

in accordance with the provisions of the second paragraph of Article 154-bis, Part IV, Title III, Chapter II, Section V-*bis*, of Legislative Decree No 58 of 24 February 1998, that to the best of my knowledge, the Consolidated Interim Management Statement at 30 September 2022 corresponds to the accounting entries.

The Financial Reporting Manager
Signed by Sandro Barazza

eurotech.com