

Epsilon Technologies PLC

Consolidated Financial Statements and Accompanying Notes

For the Fiscal Year Ended December 31, 2023

1. Significant Accounting Policies

Basis of Presentation — The consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The accounts of the Company and its majority-owned subsidiaries are included herein. Intercompany balances and transactions have been eliminated upon consolidation. Certain amounts from prior periods have been reclassified to conform to the current period presentation. Use of Estimates — The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ materially from those estimates.

2. Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The Company derives revenue from long-term service contracts, subscription-based arrangements, and point-in-time product sales. For contracts with variable consideration, estimates are constrained to amounts that are not probable of significant reversal. Payment terms generally range from 30 to 90 days, and no significant financing component is deemed present.

Revenue by Type (\$M)	2023	2022	2021
Subscription Services	363	375	242
Professional Services	305	188	272
Product Sales	264	346	273
Total Revenue	932	909	787

3. Operating Expenses

Cost of revenue consists primarily of hosting costs, personnel-related expenses, and amortization of capitalized contract acquisition costs. Research and development expenses include salaries, stock-based compensation, third-party consulting, and infrastructure costs related to product development. Selling, general and administrative expenses consist of personnel costs, marketing programs, legal fees, and professional services.

Operating Expenses (\$M)	2023	2022
Cost of Revenue	408	362
Research & Development	177	220
Sales & Marketing	191	235
General & Administrative	130	132

4. Consolidated Balance Sheets

Assets (\$M)	2023	2022
Cash and Cash Equivalents	226	265
Accounts Receivable, net	337	283
Property and Equipment, net	281	249
Intangible Assets	192	263
Total Assets	1036	1060

5. Financial Risk Management

The Company is exposed to various risks, including fluctuations in foreign currency exchange rates, credit risk associated with customer receivables, and liquidity risk. Management monitors these risks through internal reporting processes and maintains credit evaluation procedures for customers. The Company does not currently enter into material derivative contracts to hedge foreign currency exposure.