



Letter to Shareholders

Dear Shareholders,

Since joining Eurotech as CEO in April 2021, I have been immensely impressed with the technical excellence established in the first three decades of the company's life. It is this excellence that attracted me to the role, and which will fuel the next chapter of our growth.

My first few months were concentrated on building a repositioning strategy for the company, so we could better exploit the potential of those technical building blocks that were already in the pipeline in order to become a "relevant player in Edge IoT".

Our purpose is to enable our customers to connect their mission critical devices to the cloud easily and safely, and to operate AI on the edge. Our ambition is to pivot the mix of the business to more than 70% IoT business over the next 4 years.

We specialize in helping our customers to solve problems in the most challenging and extreme environments, those with demanding high reliability needs. Extreme temperatures, harsh vibrations, shock, humidity, dust and high-security are applications in which our decades of experience enable us to excel.

I have learned during my career that to succeed when limited by size "less is more" and that the most difficult thing in creating a strategy is first "deciding what not to do".

We agreed therefore to focus mainly on the things we excel at: miniaturized, ruggedized applications with high reliability, security and efficient computational needs. There is a longer time to market when entering mission critical applications, but barriers to entry are higher, and therefore revenues are stickier over time.

Consequently, we chose to play initially in five high-growth markets where Eurotech's technology offers significant competitive advantage. In these markets new secular forces are stimulating digitization of the verticals. They are: industrial automation, transportation & offroad, medical, utility grids, and communications. Here IoT is finally beginning to deliver its long-promised benefits of greater productivity, more efficient use of resources, and new opportunities for business services.

Our products are differentiated and consistently recognized in the IoT landscape by industry analysts. Eurotech is one of only a handful of companies able to deliver fully integrated edge hardware and edge software underpinned by world-class cybersecurity. Last year, we were proud to be included in Gartner's Magic Quadrant for Industrial IoT Platforms for the third year in the row. It is simplicity, paired with open architectures, that enables our customers to adopt our technology quickly, and with minimal engineering efforts. This sets us apart from many competitors.

Our edge solutions have been globally recognized for their security certifications. 2021 saw Eurotech become one of the few companies in the world to achieve both product and process cybersecurity certifications IEC 62443-4-2 and IEC 62443-4-1 for integrated edge HW & SW.

In essence, we have started a journey of more standardization of our offerings that will bring us gradually more economies of scale. Furthermore, software is creating reoccurring revenues and growing nicely year-over-year at 50%.

Organization wise, we removed geographical barriers across the enterprise, creating synergies between teams, nurtured existing skills, whilst introducing new ones and new people to the company. I have been extremely proud of the passion and courage of the team at Eurotech in embracing these changes, and in coming together with renewed purpose and drive.

Through changing our go-to-market strategy, and creating a more agile, flexible, and resilient organization we are creating a strong pipeline of IoT business opportunities that will grow consistently, starting end of 2023 and through 2024. Until then, our core business, together with the IoT design wins collected in past years, are sustaining us in a healthy mode.

Recapping 2021, we saw a year with a robust order book that unfortunately did not fully translate to revenue growth. This was due to the industry component shortage: else we would have enjoyed mid-high single digit growth at constant exchange rates. Ebitda wise we suffered negative results following lack of leverage, one-time costs for organization changes, and premiums paid for scarce component availability.

Looking to 2022, we expect a year of transition and returning to growth.

With the reorganization progressing well, we now need to execute against our new strategy. Our embedded business continues to sustain us, and we now see POCs won 2 years ago starting to ramp up consistently. With more robust go-to-market operations rolled out, we are now focused on the creation and delivery of a healthy pipeline of new business in markets forecasted to achieve double digit growth in the next 5 years. With a very healthy backlog in hand after the first 2 months of 2022 our aim is to return to positive profits by close of the year.

We also keep strong focus on our M&A pipeline that is targeted to bring new channels, customers and distribution in our selected market verticals, and complementarity to our portfolio in our selected edge product families.

Looking to the future, Eurotech is poised to be a relevant player in the Edge IoT domain.

Pairing IoT connectivity with artificial intelligence computing at the edge is the most exciting opportunity to help our customers succeed in their technical and commercial goals. Cybersecurity remains a major concern for customers as operational technologies become increasingly connected to the outside world. At the same time, there is a growing recognition that pushing all data to cloud hosted applications is wasteful and inefficient. Processing as much data as possible at or near its

source – edge computing – can offer significant benefits, including lower latency and lower operating costs. With our integrated HW and SW platform, we are uniquely positioned to help customers to implement AI applications close to their assets quickly, seamlessly, and securely. Our opensource SW platform allows high interoperability for the customer. It is also proving to be valuable for many AI independent software vendors and partners traveling to market with us as a “one stop shop” technically and commercially for the end customer. I firmly believe this is a natural evolution of existing Edge IoT markets and, despite the geopolitical unrest we are now witnessing, edge AI markets will experience accelerated growth over the next three years.

Of course, we cannot forget that we are living in an increasingly volatile world. The Covid-19 pandemic, electronic component shortage and now the war in Ukraine, are testing the resiliency of many businesses. Our fabless business model keeps us flexible and agile as we keep monitoring the new landscapes and events coming at us. We are not exposed to Russian and Ukrainian markets and I am confident that we will overcome these tough months we are all witnessing.

We hope that the celebration of our 30th anniversary this year coincides with a world coming back to a certain normality and peace and harmony. Our hearts go out to all those people in Ukraine, and their loved ones, who have had their lives devastated by the war.

I'm optimistic about the road ahead, paired with renewed passion in the team to take our strategy to market. With your commitment as an investor, we embark together on an exciting journey to becoming a relevant Edge IoT player.

15 March 2022

signed
Paul Chawla
CEO