

LETTER TO SHAREHOLDERS

Dear Shareholders,

another very interesting year has just concluded, during which Eurotech primarily focused on three key themes:

- a) *implementing successive steps and the building blocks of our transformation strategy to become a more productized and scalable Edge AIoT company, progressively moving away from custom embedded business;*
- b) *integrating and learning to work with our new family member, InoNet;*
- c) *building and strengthening our partnerships in the ecosystem for our new go-to-market strategy;*

... while, of course, navigating through the market uncertainties related to the destocking phenomena and the global geopolitical tensions.

Starting with the strategy, 2023 was the second full-year of rolling out the building blocks and strategic enablers we defined in July 2021, so it is a good time to take the first stocktaking. Back then, we defined our purpose as becoming a relevant player capable of enabling our customers to connect their mission critical assets to the cloud easily and safely, and allowing them to operate AI on the edge. Two years into our journey, notwithstanding many headwinds in the market our strategic direction holds true. Despite a flat year over year result on the top line, through 2023 we saw the proof point of the ongoing transformation: Edge AIoT share of revenues reaching 41%, beating the target of 35% set at the beginning of the year, and showing an organic growth of 20% year over year. If we include InoNet in the perimeter, growth in Edge AIoT is actually 79% YoY. I give high value to this achievement since this parameter is the first litmus test for our transformation journey.

Our competitive advantage stands as our integrated HW/SW offerings are differentiated and consistently recognized in the IoT landscape by industry analysts and partners. Eurotech is one of only a handful of companies able to deliver fully integrated edge hardware and edge software underpinned by world-class certified cybersecurity. Being open source is proving to be appreciated by customers learning the hard way how agnosticity can avoid expensive lock-ins by unique vendors. Our DNA in Operational Technology is an asset and proof is that big mass players with horizontal offerings are leaving the IoT arena. This exodus is due to a lack of intimacy with vertical markets specificities, and cloud-focused approaches that do not allow for the reach and fit of the proliferation found in the field. It opens the door for companies that



can successfully implement IoT projects at the edge, a problem that our firmware offering solves.

In 2023 we closed various important contracts in IoT applications, but are still seeing that digital journeys aimed at creating new top-line revenue streams for our customers struggle to take off at forecasted volumes, whilst the ones created for enhancing internal productivity are doing better. We are satisfied with the progress made and keep going but at the same time we are not putting all our efforts uniquely into this domain: in 2023 we started two other initiatives aimed at gaining revenues that will hit markets with shorter time to market. This topic allows me to touch upon my second theme: InoNet integration.

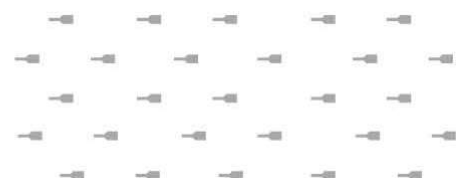
InoNet has brought to the Eurotech family a business model that enables smart and fast configuration management for our customers, more semi-custom offerings that allow revenues within 3 to 9 months, and amongst these a wider portfolio of ADAS (Advanced Driver Assistance System) devices and Edge AI industrial computers. We have been able to grow more ADAS applications in DACH and, for the first time, are taking a combined and more complete portfolio of offerings globally in the automotive, truck and smart agriculture industry. Our customers use these devices for ingesting all relevant data from ADAS sensors during the development of their self-driving L2-L3-L4 algorithms and for validating and tuning vehicles' final pre-production algorithms. This market grows 10% annually globally and our pipeline has tripled in 2023.

Furthermore, the Industrial PC background knowledge of InoNet combined with our Edge SW and cybersecurity know-how have allowed us to accelerate with a third growth initiative in the Edge AI domain and be amongst first in the market with IEC 62443-2-2 cybersecurity certification also on Edge AI devices. We are now launching global go-to-market campaigns with the new differentiated offerings we developed through the second half of 2023.

Visual AI applications will grow over 20% in the next four years in the field of security, asset monitoring, end-of-line inspection and automatic optical inspection applications. As most of these applications are used for productivity improvements, or for driving a lower total cost of ownership for our customers, we stand confident that this Edge AI market is real, is now, and will grow faster than other digital applications.

To close the chapter on our “marriage with InoNet” I would like to thank our German team for a great first year, having delivered 15% growth on the top line, 520bps improvement on the GM% and 4 times higher EBITDA than the run-rate of 2022, when we acquired them.

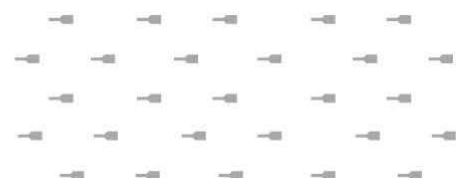
Coming to our third main theme of 2023, I would like to recall that to fully play the game of Edge AIoT we had to build, from scratch, a channel play with hyperscalers, system integrators (IT & OT) and ISVs (Independent Software Vendors): this has a long lead time of tasks and



activities that go from productization, to being validated and certified within the partners' ecosystems, to common marcom activities, to building external & internal sales/training collaterals. We made great progress on these activities in 2023, remembering that we were a company that for decades had been playing only directly with the OEMs (Original Equipment Manufacturers). These efforts are now bringing us huge potential and great reach to customers to which Eurotech would not have previously had access, but it demands persistence and consistency. A great example is the successful launch of our GreenEdge (a combined SW offering between AWS Greengrass & Eurotech ESF) on AWS Marketplace in December. It took almost one full year of focused effort by a cross-functional "tiger team" of Eurotech resources working with AWS, a type of investment that in 2024 we will replicate with another one or two selected partners.

Finally looking at 2023 in numbers: consolidated revenues were relatively flat YoY. The topline was impacted by the phenomenon of destocking: a common factor in our industry related to the adjustment of inventories over-accumulated through stockpiling during the component shortage. Difficulties in sourcing electronic components that were prevalent in 2022 largely disappeared, with only a few specific, niche components for our Japanese business remaining scarce. This improved situation, together with actions taken to counter the effects of the component shortage, contributed to a significant 240bps increase in the first margin. We continued to invest to build the right organisation to support the development of Edge AIoT business and to retain key talent. Notably, we successfully recruited domain specialists for our team, experts who were unavailable in 2022 due to the intense competition for tech talent following the Covid era. Consequently, the EBITDA performance remained in mid-single digit in 2023.

Looking forward shorter term, the onset of 2024 has been characterized by two recurring terms in the remarks of CEOs and analysts' reports: "softness" concerning customer demand and a "wait-and-see" approach referring to customers' investment behavior. We see that higher interest rates are hitting the real economy. Consumer discretionary spending has been contracting fast in recent months. Capital spending is on hold in most industrial segments, as well as in agriculture. Elections calling about half of the planet's population to elect new governments are not helping in accelerating corporate spending. We started this year with lower visibility compared to that at the beginning of 2023. This comes as a result of customers placing orders at the very last minute and only covering the needs of about one quarter. At the moment I'm writing this letter, we are seeing some signs of an increase in visibility, and I do believe that a more normal run rate of business should pick up in the second half of the year, especially in the domain of Edge AI applications.



In any case, for us 2024 will be a year of continued transformation towards our 2026 ambition: we will likely see Edge AIoT business surpassing 50% of total revenues, a key step since it will officially mark the change over our legacy custom embedded business. Running for cash the embedded business moved to a second phase in late 2023 as we also rightsized our opex in the USA to level set with some legacy business fading away and not replaced by design, whilst new Edge AIoT business ramps up. Advanet remains an exception in Japan where the embedded business still has a play with interesting margins given the local industrial environment.

Looking to the mid-term future, Edge AI is set to become increasingly important in the digital market within the next few years. The fusion of IoT and Edge AI will happen gradually, morphing into Edge AIoT. This mutual fertilization of the two technologies will bring increased benefits as IoT collects the data that Edge AI needs, and Edge AI extracts additional value from IoT data. Ultimately, this enables a higher return for customer's digital infrastructure investments. A significant portion of this evolution will happen on the Edge - where we play. It will drive the need for increased cybersecurity, simpler solutions to implement and deploy at scale, and the need to remote manage updates of operating systems, firmware and AI applications installed in the field. This is exactly what we are good at and what our transformation is preparing for.

The destination is clear, and so is the need to accelerate and catch back on some of the timing to market impacted by talent shortage. The entire Eurotech team is tackling this challenge with passion and dedication, buoyed by the early indicators of success that 2023 has revealed. I am also relying on your renewed commitment as investors while we navigate the sea of digital technologies to reach the harbor of being a relevant Edge AIoT player.

The journey goes on!

20 March 2023

signed

Paul Chawla
CEO

