LETTER TO SHAREHOLDERS

Dear Shareholders,

I have no other word that come to my mind to describe the year that has just gone by so quickly rather than "tough".

2024 saw us tackling a number of headwinds simultaneously, resulting in a real challenge for a company of our size that is still undergoing a transformation and hence is less resilient than others who are more on a stable set-up.

Our first challenge has been finding a replacement for the drop in revenues of our major customer on legacy embedded business in the US.

As all our peers we faced aswell the prolonged and widespread freeze of investment in Industrial Automation worldwide, after having invested heavily in 2023 to activate new Edge IoT opportunities precisely in that domain: an unfortunate sequence of events definitely, something we did not anticipate.

Long story short, the net outcome was a significant drop in revenues compared to 2023, to a level that does not represent the true potential of our strategic direction. Indeed a disappointing outcome that drove our top line down and bottom line into negative performance.

We did improve our gross margin by 330 bps and brought it over 50%, reduced our operating costs by 4.5M (-11.5%) and improved our working capital by 9M euros: this is for me the litmus test that during a very difficult year the management team did very diligently everything in their control to offset as much as possible the impacts of the market downturns globally.

Having said that, despite the important optimization of our opex runrate we were able to maintain intact our ability to execute the building blocks of our strategy and the proof is in the 4 new product families launched during the year.

Contrary to the past, these 4 new product families have been designed to be more channel ready and easier to be sold via indirect sales channels and partners. But the differentiating theme across all 4 of them is their uniqueness in cybersecurity certifications.

With cybersecurity now a requirement rather than an option, driven by regulations like the US IoT Cybersecurity Improvement Act, EU NIS2, RED, Cyber Resilience Act, and Machinery Directive, our new generation of products are ready to meet these demands right out of the box,
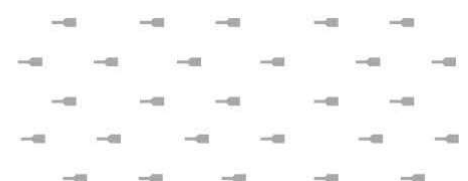
enabling organizations to efficiently meet regulatory standards, drastically reducing compliance time, effort and fees.

The 4 new product families range from the *new modular gateway*, a first in its kind, to a new family of *Edge AI devices based on the NVIDIA Jetson Orin* processors, aswell as a family of *Edge servers* on one side *for generative AI and LLM* applications leveraging our traditional HPC and water-cooling capabilities, and on the other for *higher-end industrial automation applications.*

Last but not least, we activated 2 new partners more in the Edge AI domain vs Edge IoT i.e. where typical time-to-market is shorter: we see customer decision making in this domain more in the 9-12 months time frame rather that the 24-40 months for the IoT projects were repeatedly we have seen post the business wins regular struggles of our customers to ramp up to targeted connected points.

All in all, a prolific year in enhancing both our portfolio and our channels.

With our strengths in mind and the new portfolio in our bag, as a company we set the following focus points for 2025:

- Keep targeting our efforts on applications and environments where Cybersecurity is relevant:
  o Industrial Automation in EU given the NIS2-related cybersecurity mandatory upgrades
  o Smart Grids in EU and USA (i.e. power grids, oil&gas pipelines, water grids) which are increasingly targeted by cyber attacks and are a critical backbone of every country's economy
  o Smart Infrastructure, especially where treatment of video streams for security & surveillance is involved since it requires cybersecure Edge AI solutions.
- Reach them by leveraging our existing ecosystem of Channels and Partners:
  o AWS for Edge Gateways and IoT SW stack
  o the NVIDIA Metropolis ecosystem and especially the recent AxxonSoft and PNY partnerships for Edge AI hardware
  o Inductive Automation network of OT system integrators for cybersecure IPCs.

Looking at how 2025 started, we can say we see signs of change and improvement on the order intake side but not on the revenue side yet. The first quarter will show the same type of dynamics seen in the last quarter of 2024, but from the second quarter we will gradually see a different scenario emerging. At the moment I'm writing this letter, the visibility on how the second half of the year will unfold is still limited, but there are prospects for a better performance than the first half.

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, it's clear, 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. This evolution will drive the need for increased cybersecurity at the Edge, 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 has prepared us for.

The entire Eurotech team is committed to proving that our strategic direction can bring us to a successful positioning in the Edge AIoT market as a relevant player, despite the delayed journey we have experienced in 2024. While we come out of this drop, we like to think we can rely on your renewed commitment as investors to support us.

Let's stay in contact, we are working hard to make you proud of this company.

17 March 2024

signed

Paul Chawla
CEO