LETTER TO SHAREHOLDERS

Dear Shareholders,

2022 was my first full year in service as CEO of Eurotech... and what a year it has been: navigating through the electronic component shortage, the global effects of the Ukraine war, a new silent battle for tech talents, and the creeping negative sentiment around a world recession. Despite this, looking back it's fair to say we travelled quite some distance in the new direction we set off to in Q3 2021.

In fact, in July 2021 we started a journey by putting focus and critical mass on the few important things:

a) better standardisation and productization of our offering to allow replication & scaling of business in the Edge AIoT market

b) building new channels to market

c) creating a 'One Eurotech' mindset with new talents and improved global processes.

We were starting from a strong technology positioning, but we were needing a stronger go-to-market to execute and transform our technical excellence into sustained double digit growth.

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.

We did this without forgetting our heritage and what we have been historically good at: helping customers to solve difficult problems in the most challenging and extreme environments, those with demanding high reliability & security needs. Extreme temperatures, harsh vibrations, shock, humidity & dust are applications in which our three decades of experience enable us to excel.

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. We are amongst the few companies in the world capable to achieve the ultimate product cybersecurity certifications IEC 62443-4-2 for integrated edge HW & SW, and this set us apart from the pure hardware or pure software players.

Recapping 2022, we saw a year with a robust organic growth that got us back into positive EBITDA. Our top line did not translate totally to double digit margin figures as we aspire to, because of the burden of industry component shortage on one hand, and on the need to invest in opex to reinforce the organisation on the other.

We started the year with an order book 50% higher than in 2021, but could not ship significant portions of revenues for two quarters due to the lack of electronic components. Furthermore, extra costs for Purchase Price Variations (PPVs) – the spikes in component purchasing costs – severely diluted our gross profit margin. We put in place an astonishing effort to reverse the trend and I can say now we succeeded: we came back quarter after quarter with tailored actions around pricing to customers, special initiatives on the supply chain and redesign of products.

Besides the effects of the Ukraine war on global economy and sentiment, another type of war was silently spreading out: a fierce battle over tech roles, especially software and IoT engineers, triggered by the inevitable advent of the digital transformation towards the data economy. Throughout the whole 2022 we faced a strong headwind in rolling out our plan of hiring new resources with new skills to implement our strategy. Nevertheless, we succeeded in creating new Strategic Marketing roles supporting vertical markets business development, in expanding Product Management roles to drive standardisation and productization, and in adding cross-regional Corporate roles to streamline Operations and strengthen Purchasing.

On the business development side, we created a strong pipeline of IoT business opportunities that will grow consistently, starting end of 2023 and through 2024. Our time to market is around 18 months and time to revenues can go up to 24-30 months because we sell into mission critical applications, where we can leverage on historical expertise and enjoy longer stickiness. Until new businesses kick-in, our core business, together with the IoT design wins collected in past years have been sustaining us in a healthy mode.

Looking at catalyst for accelerated growth in a shorter term compared to the IoT speed of the verticals we are in, we were able to restart the business in the autonomous driving sector, also leveraging a broader portfolio and customer base enabled by our new acquisition in Germany.

Regarding our strategy of developing new indirect sales channel, we have made a few important steps forward in our relationships with the Hyperscalers (AWS, Microsoft, etc) and with the Large System Integrators (CapGemini, TCS, DXC, etc). Nearly 30% of our new Edge AIoT pipeline starts to come from these channels.

Last but not least, after 13 years of inactivity we successfully closed an M&A operation: we acquired InoNet in September, a German company specialised in IPCs and Edge AI HW with a

great fit to our strategy as they bring high level of complementarity both on product portfolio and market coverage. With this acquisition we achieved two important targets: first, a strong positioning in DACH, the second market in the world for Industrial IoT; second, an expansion of our portfolio into more standardised/productised HW that can scale faster and that can still enable the co-selling of our software stack.

Looking to 2023, we still expect a year of transformation whilst we keep developing and closing our new pipeline in Edge AIoT business.

Our ambition is to pivot the mix of the business to more than 70% Edge AIoT business by end of 2025 and this year we will see an acceleration on this shift with Edge AIoT reaching about 35% of our total revenues.

So far we are witnessing a good start of the year in terms of both organic growth and gross profit margin normalisation, but the global sentiment and volatility in the markets is still worrying customers and this translates into delayed decisions on orders released beyond the next 2 quarters. First concern of companies now is not to build up inventories as they await for more clarity and confidence on the future.

Electronic components shortage is biting significantly less compared to one year ago, with general availability growing and lead times reducing. Prices on the other hand are not going down and for the time being the traditional deflation on electronic components linked to Moore's Law is still to come and not in sight.

We will continue to transform our products to make them more modular and scalable, our processes to make them more resilient and we will add new people to the organisation to continue the build up what we weren't able to fully accomplish last year.

We will keep a strong focus and effort on the creation of a pipeline of new logos on Edge AIoT business in the four verticals we have chosen to focus on: Industrial Automation, Medical, Transportation, Energy and Grids.

We will devote a special attention at creating a mix of initiatives to balance short and long-term revenues. Longer term revenues will come from IoT ramp ups and shorter term revenues will come from Certified Edge AI devices with built-in cybersecurity, consolidated Edge devices as appliances with integrated AI and in-vehicle validation systems for ADAS.

Looking to the future, Eurotech is poised to be a relevant player in the Edge AIoT 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 AIoT markets and, despite the uncertainties we are witnessing on the World economy, edge AI markets will experience accelerated growth over the next years.

The destination is clear, and so is the road ahead: with the passion and dedication of the whole Eurotech team we will navigate through the turbulence of the present macroeconomic and geopolitical environments. We will return your commitment as an investor into aspired value creation as we accomplish our vision of becoming a relevant Edge AIoT player.

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signed

Paul Chawla

CEO

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