eurotech
annual report
2022
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Eurotech is a global company which designs, manufactures and distributes edge computing technology, through an integrated hardware and software offering.

We operate in fast-growth markets worldwide: industrial automation, transportation & offroad, medical, green energy & utility grids.

Eurotech provides the compute capability that enables physical devices and assets to perform beyond all previous expectations, powering human endeavour across the globe.

Through Eurotech’s edge computing solutions, and Internet of Things (IoT) offerings our customers’ assets operate with greater intelligence, becoming more efficient, productive, and sustainable.

Our world is changing, powered by the access to more compute power than ever before.

The cloud enabled a data revolution, where assets could be controlled and monitored remotely. We are now enabling one of this decades major secular forces: the repatriation of cloud-based analytics and AI to the Edge, enabling assets to become more autonomous, secure and responsive.

The pairing of superior edge processing power with machine learning and artificial intelligence, will fuel the next industrial revolution, and Eurotech will be a significant player in this journey.
unleashing the **power** — of the edge

we connect valuable assets and enable edge AI in mission-critical applications

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we simplify complexity at the edge
to allow fast connection of assets in Industrial Internet-of-Things projects.

we champion cybersecurity at the edge
to make digitization of assets safe in mission critical applications.

we enable AI computing at the edge
to unleash the power of assets data with no latency and lower costs.
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:
- **better standardisation** and **productization** of our offering to allow **replication** and **scaling** of business in the **Edge AIoT market**
- building **new channels to market**
- 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.

Paul Chawla, CEO
2022 at a glance

**tech excellence confirmed**
- Fourth year consecutively in Gartner® Magic Quadrant™ for IoT Platforms

**full steam on execution**
- New brand identity: "Unleashing the power of the edge"
- Focus & reinforce organization to serve the strategy
- Re-engaging in autonomous driving business to serve the strategy
- InoNet acquisition to accelerate in edge AIoT

**fighting headwinds**
- Overcoming component shortage
- Hiring during a tech talents war
Organic growth at 36% (at constant exchange rates)
Total growth at 44% including InoNet for 4 months (at constant exchange rates)

Growth driven by Embedded business
Edge AIoT trend YoY accelerated to 110% by InoNet contribution, organic growth at 58%

USA sustained by legacy business
Japan boosted by strong business with semiconductor equipment manufacturers
Europe catching-up on organic growth in H2 thanks to Edge AI systems for autonomous driving

FY 2021
- EU: 32%
- US: 43%
- JP: 18%
- other: 7%

FY 2022
- EU: 39%
- US: 41%
- JP: 24%
- other: 5%

Growth by geography:
- EU
- US
- JP
- other
EBITDA impacted by extra costs to overcome shortage and by non-recurring costs for InoNet acquisition

-2.7  2.4  1.8  0.6  11.0  -0.9  -3.3  -1.7  7.2  -0.9  6.3

EBITDA FY 2020  non rec costs  EBITDA FY 2021 adj  FX  volume  volume InoNet  mix & shortage  net opex  net opex InoNet  EBITDA FY 2022 adj  non rec costs  EBITDA FY 2022

all values in M€
solid balance sheet

NFP impacted by InoNet acquisition and NWC temporary increase

NWC temporary increase due to higher inventory and spike in Q4 receivables

all values in M€
Eurotech is a global edge AIoT player who has a technology-led and market-focused value proposition.

- We have **top class edge technology**
- We are **committed long term**
- We aim at **growing double digit** by leveraging secular trends and using M&A to accelerate
- With **solid margins** because of **our differentiation** in high reliability & ruggedized applications and in certified cybersecurity at the edge
- With **more re-occurring** and **sticky** type of **revenues** selling **integrated hardware & software**
about us

who we are

we have a passion for digital technology.

we want to enable a smarter and more sustainable world.

we are focused on accelerating our journey to become a relevant Edge IoT Player.

our culture

Our values underpin every aspect of our business, from how we work with our customers and partners, to how our employees operate as One Eurotech.

we embrace technology evolution building on our expertise, challenging it to evolve as the frontier of innovation moves forward, and working creatively within an open ecosystem.

we are entrepreneurial acting with vision, enthusiasm, dedication, and ambition.

we play to win focusing our effort on the markets in which we can win. Building high performance teams to win and retain new customers. Making the right choices to place us in the most rewarding scenarios.

we care about our impact believing in respect and integrity, we deploy the high ethical standards of UN Global Compact when carrying out our business globally.

about us
Eurotech was born in 1992 as a visionary company inspired by the possibilities of miniaturized computers. Since day one, innovation has been the distinctive signature of how the company wanted to compete. Several times thought our history we have been first movers and we came first in the market with break-through technology. In the search of a niche to safely grow from a start-up to a relevant player in the embedded computing market, we choose to focus on offering products for harsh operating environment and mission critical applications. Still today, this ability to distinguish ourselves when customer requirements are demanding is a key pillar of our competitive advantage.

At Eurotech we have always looked at computers as enablers of a better world, and this care for developing digital technologies that have a positive impact on society has been accompanying us in our 30 years of history.
offering evolution: from embedded computers to edge AI appliances

1992
HW modules

1999
co-authors of MQTT with IBM

2009
first HPC with direct liquid cooling

2012
co-founders of open-source IoT

2013
integrated HW&SW

greenest HPC in the world

2021
IEC 62443

2023
edge AIoT solutions

consolidated edge

in our history

unleashing the power of the edge
investments & global footprint — history

1992: start-up

2001: Bolt-on acquisition in US

2003: Private equity taking a 32% stake

2004: IPO on the STAR segment of Borsa Italiana

2005: Capital increase

2006: International expansion in UK & US via M&A

2007: Sale of US subsidiary focused on defence

2008: Further expansion in Japan via M&A

2013: InoNet Computer acquisition in Germany

2022: Investments & global footprint
**the value we create for**

**our customer & partners**

**collect & connect**

Easy “south-bound connection” to assets thanks to plug-in modules.
Certified “north-bound connection” to leading cloud platforms.

**protect**

Certified state of art cybersecurity to connect mission critical assets.

**enhance**

Enable the “repatriation” of AI computing from the cloud to the edge thanks to the agnostic approach of our edge software platform.

**tune**

Modular HW and SW allowing easy and fast “last mile” configuration and personalisation to special needs.

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**collect & connect**

**protect**

**enhance**

**tune**

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**easy “south-bound connection” to assets thanks to plug-in modules.**

**certified “north-bound connection” to leading cloud platforms.**

**certified state of art cybersecurity to connect mission critical assets.**

**enable the “repatriation” of AI computing from the cloud to the edge thanks to the agnostic approach of our edge software platform.**

**modular HW and SW allowing easy and fast “last mile” configuration and personalisation to special needs.**
Eurotech’s product strategy is to exploit the technical excellence held in the company, chase high growth market segments, and look to the future to stay at the forefront of the digital technology evolution.

The rapid adoption across all vertical markets of Industrial IoT presents a clear scenario of strategic product options.

Here we will focus on those product segments which are projected to scale faster and present a higher CAGR.

**Leveraging on strong growing edge gateways, edge AI systems and IoT platforms**

Global market of industrial IoT by product segment

(SAM in US $Bn - 2020 / 2025)

<table>
<thead>
<tr>
<th>Product Segment</th>
<th>2020</th>
<th>2025</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>boards &amp; systems</td>
<td>1,212</td>
<td>1,632</td>
<td>6%</td>
</tr>
<tr>
<td>edge gateways</td>
<td>1,435</td>
<td>2,001</td>
<td>7%</td>
</tr>
<tr>
<td>edge AI systems</td>
<td>673</td>
<td>780</td>
<td>3%</td>
</tr>
<tr>
<td>edge sw &amp; dev mgmt platform</td>
<td>521</td>
<td>1,368</td>
<td>21%</td>
</tr>
<tr>
<td>edge AI systems</td>
<td>402</td>
<td>1,421</td>
<td>29%</td>
</tr>
<tr>
<td>embedded edge servers</td>
<td>1,212</td>
<td>1,435</td>
<td>21%</td>
</tr>
<tr>
<td>IPCs</td>
<td>673</td>
<td>780</td>
<td>3%</td>
</tr>
<tr>
<td>edge AI systems</td>
<td>402</td>
<td>1,421</td>
<td>29%</td>
</tr>
<tr>
<td>edge sw &amp; dev mgmt platform</td>
<td>867</td>
<td>2,200</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: Adapted from MEC, VDC, IoT Analytics.
we have the knowledge and expertise to enable AI computing at the edge
Running AI algorithms in the cloud to control assets in the field presents challenges of latency, data transport costs and data storage costs. These challenges can be overcome by moving AI at the edge of the network, and on the assets themselves. We see this as a huge opportunity: with our knowledge and expertise we can create simple and secure computing architectures for our customers to build a home at the edge for the AI products of their choice.

we believe in cybersecurity by design and certified
The state of the art of cybersecurity can only be achieved when it’s taken into consideration since the beginning of the designing process. Moreover, solutions are made of hardware and software that have to work together seamlessly, so our ability to leverage integrated hardware and software offers many benefits for achieving a premium cybersecurity.
We have attained best-in-class cybersecurity certification IEC 62443-4-2 on integrated hardware and software both our edge gateways and our edge AI systems combined with our edge software framework ESF. In the ecosystem where we play, only a handful of players can claim this.

we are committed to open and interoperable technology
By creating open-source products and building modular architectures, our customers are empowered to adopt technology without the fear of being locked in and constrained by a given vendor ecosystem. While customers can get the most out of our technology by adopting our end-to-end integrated edge hardware and software, we believe it must be their choice.
Eurotech’s vertical market strategy demonstrates our ambition to continue to deliver against demanding customers and use cases. We serve mission-critical applications where reliability, security, and the ability to operate in harsh environments are paramount.

Here we can leverage both our experience in markets requiring ruggedization of hardware, and also the certified, cutting-edge cybersecurity of our integrated edge hardware and software.

We recognize that winning opportunities in mission-critical applications takes longer. The typical conversion time of 18-24 months allows us to enjoy higher barriers to entry for competitors and longer life cycles.

We focus our attention specifically on those markets where external driving forces are accelerating growth rate and digital transformation.

**The 4 verticals where we will focus (SAM 6.5B$ in 2025)**

<table>
<thead>
<tr>
<th>Vertical</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grids</td>
<td>311</td>
<td>780</td>
</tr>
<tr>
<td>Industrial Automation</td>
<td>2,030</td>
<td>4,049</td>
</tr>
<tr>
<td>Transportation</td>
<td>418</td>
<td>828</td>
</tr>
<tr>
<td>Medical</td>
<td>407</td>
<td>829</td>
</tr>
</tbody>
</table>

Source: adapted from MEC, VDC, IoT Analytics
vertical market — strategy

These external driving forces are:

**repatriation**
a trend of bringing big-data compute and AI algorithms close to, or onboard, the assets. This reduces the reliance on cloud infrastructure and associated costs – including carbon footprint.

**5G**
a decentralized communication network driving a widespread insurgence of edge data centers sitting between field assets and the cloud data centers.

**automation & servitization**
the transformation of business models towards everything as-a-service, which drives the need for assets to be remotely monitored, controlled, and operated via secure edge technology.

**green & smart energy**
the big challenge of powering the planet sustainably and efficiently.
Eurotech’s new business model brings together the historical innovative spin and specialization in mission-critical applications with a new focalization on selected product families & market verticals and a significant enhancement of indirect sales through an ecosystem of partners.

Historically, Eurotech has been selling customized embedded computer though a direct engagement with end customers. Going forward, large System Integrators and Hyperscalers will become more and more the channels to amplify our possibility reach new customers.

To facilitate sales through indirect channels, we seek to continue to produce standardized offerings, which can be easily configured across multiple applications and markets, rather than customized for niche applications. The delineation between configuration and customization is an important one: it drives a modular approach to the design of both hardware and software products to ease their deployment by partners.

By building relationships with customers in mission critical applications, where entry barriers are higher, we can enjoy sticky, repeatable business over long life cycles.

But is the software piece that will more and more allow us to enjoy recurring revenues, from both subscriptions and maintenance fees.

Moreover, through our opensource approach and agnosticity to third party add-ons, flexibility is offered to customers to choose the AI products they prefer and adapt their systems over time as new AI innovation come to market. All with the reassurance that our platform is providing the vital cybersecurity guardrails at the Edge.
We strive to act on our commitment to United Nations’ Sustainable Development Goals since 2009.

As we grow our Industrial IoT applications we realize their potential to support a more sustainable world. We imagine how digital technology can be used to make existing assets smarter, and infrastructures more efficient, reducing the burden on our planet’s limited resources.

Being listed on the Euronext STAR Milan segment, we are committed to complying with the most rigorous requirements in terms of transparency and corporate governance.