eurotech

UNLEASHING THE POWER OF THE EDGE

eurotech
— annual report
2024

table of contents

welcome

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

We operate in four vertical 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) offering our customers' assets operate with greater intelligence, becoming **more efficient**, **productive**, and **sustainable.**

The 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.

eurotech

unleashing the power of the edge

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

we simplify complexity at the edge

to allow fast connection and remote monitoring 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.

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**:

01_ Keep targeting our efforts on applications and environments where Cybersecurity is relevant:

- 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

- Smart Infrastructure, especially where treatment of video streams for security & surveillance is involved since it requires cybersecure Edge AI solutions.

02_ Reach them by leveraging our existing ecosystem of Channels and Partners:

- AWS for Edge Gateways and IoT SW stack the NVIDIA Metropolis ecosystem and especially the recent AxxonSoft and PNY partnerships for Edge AI hardware

- 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**.

Paul Chawla, CEO

2024 at a glance

products

Edge AI
ReliaCOR 31-11 & 33-11 powered by NVIDIA Jetson Orin

IPC
ReliaCOR 40-13: first Cybersecure Ignition-Ready Industrial PC

Ignition READY

Generative AI
Servers for edge inference and intensive LLM training & fine-tuning, powerd by NVIDIA AI Enterprise

Modular GW
ReliaGATE 15A-14: one highly configurable certified solution for a wide range of IoT applications

channels

PNY

Axxonsoft

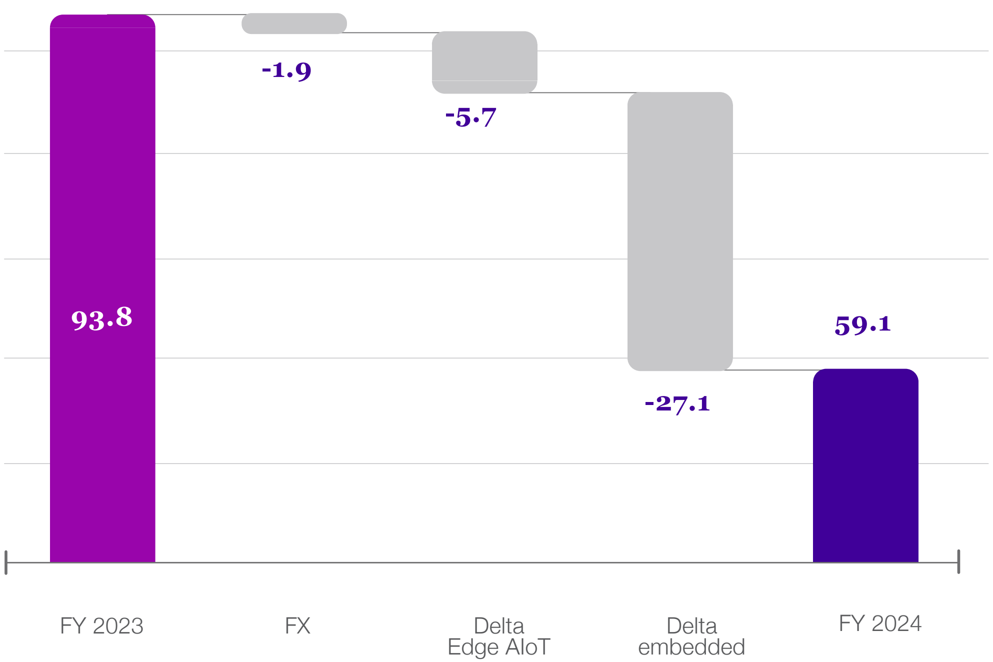
Cybersecure Edge AIoT solutions leveraging video analytics for Critical Infrastructure

IEC 62443

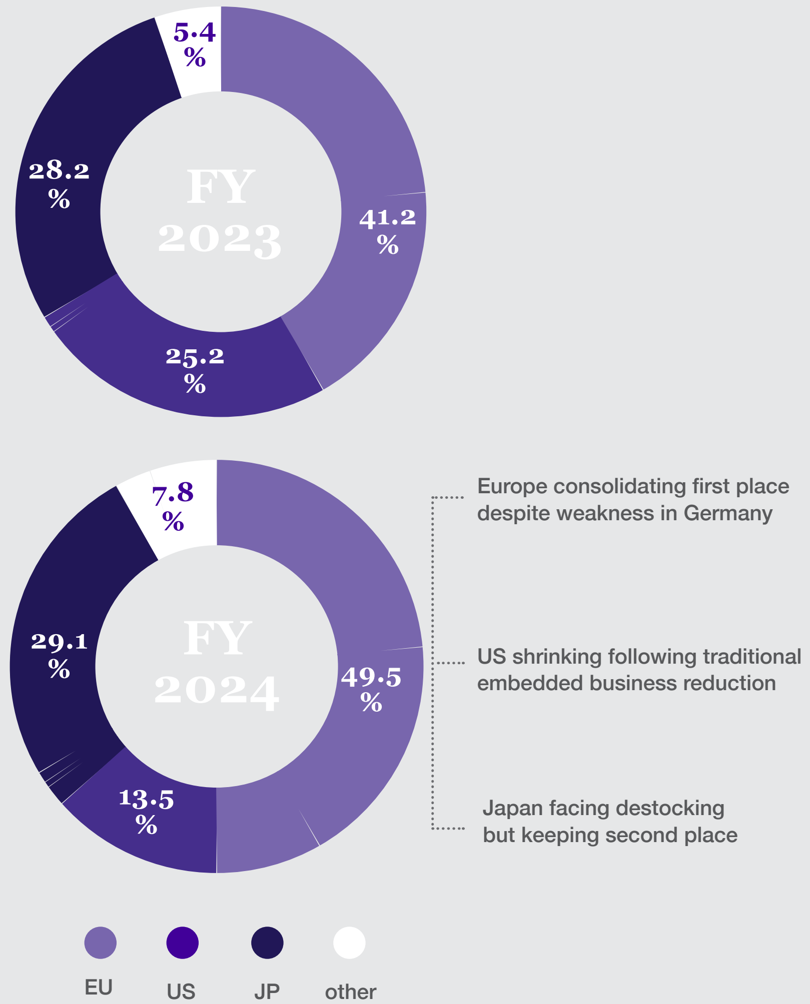
ISA

financial highlights

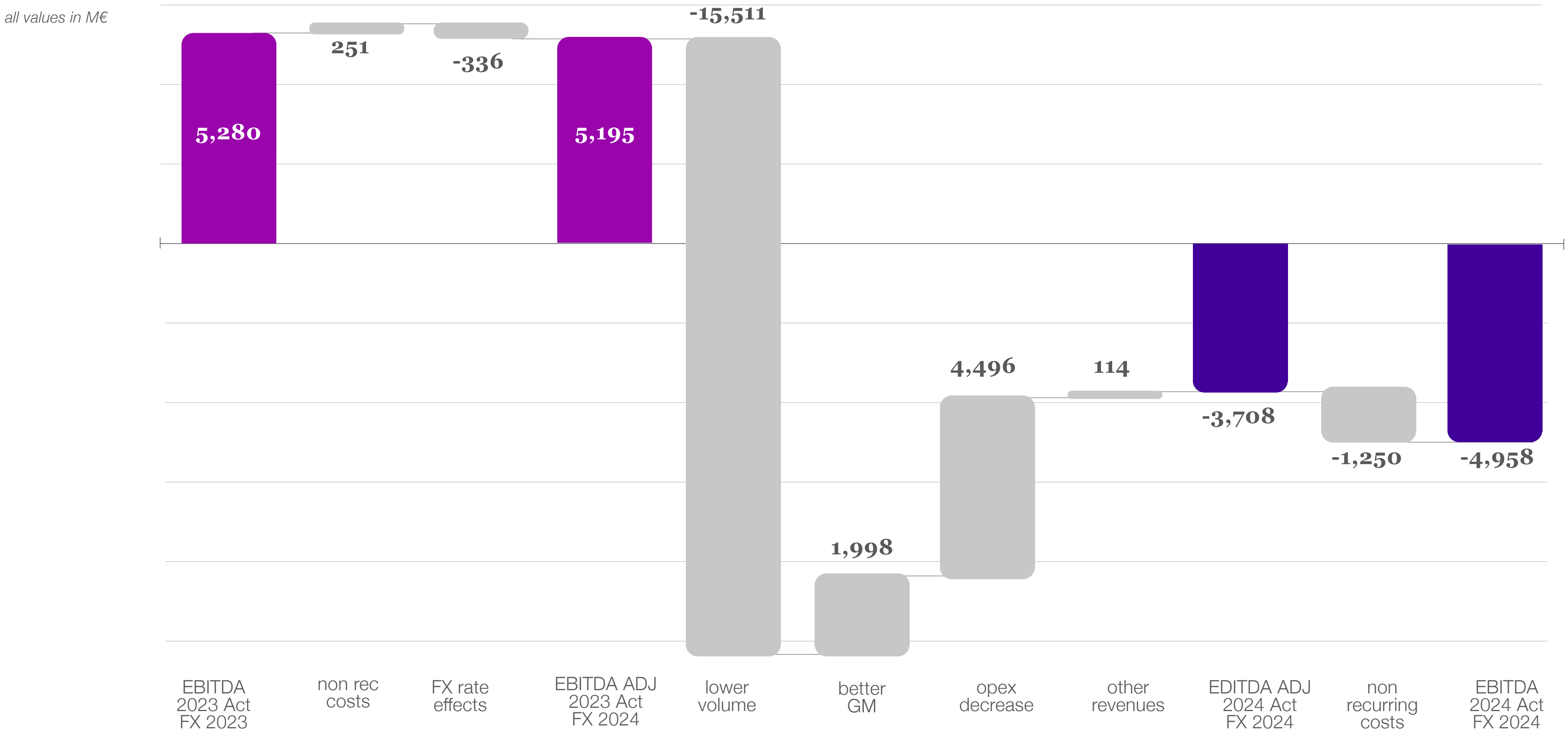
all values in M€



#Legacy embedded business impacted by US customer phase-out plus destocking in Japan.
#Edge AIoT more resilient but contracting mainly due to economic crisis in Germany.



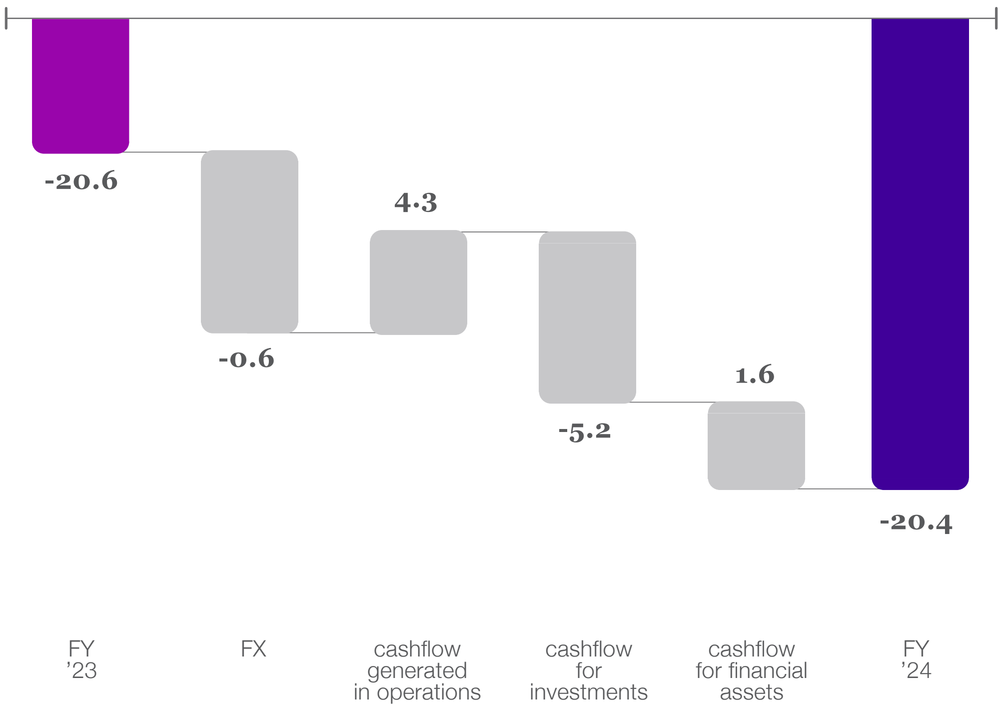
financial highlights

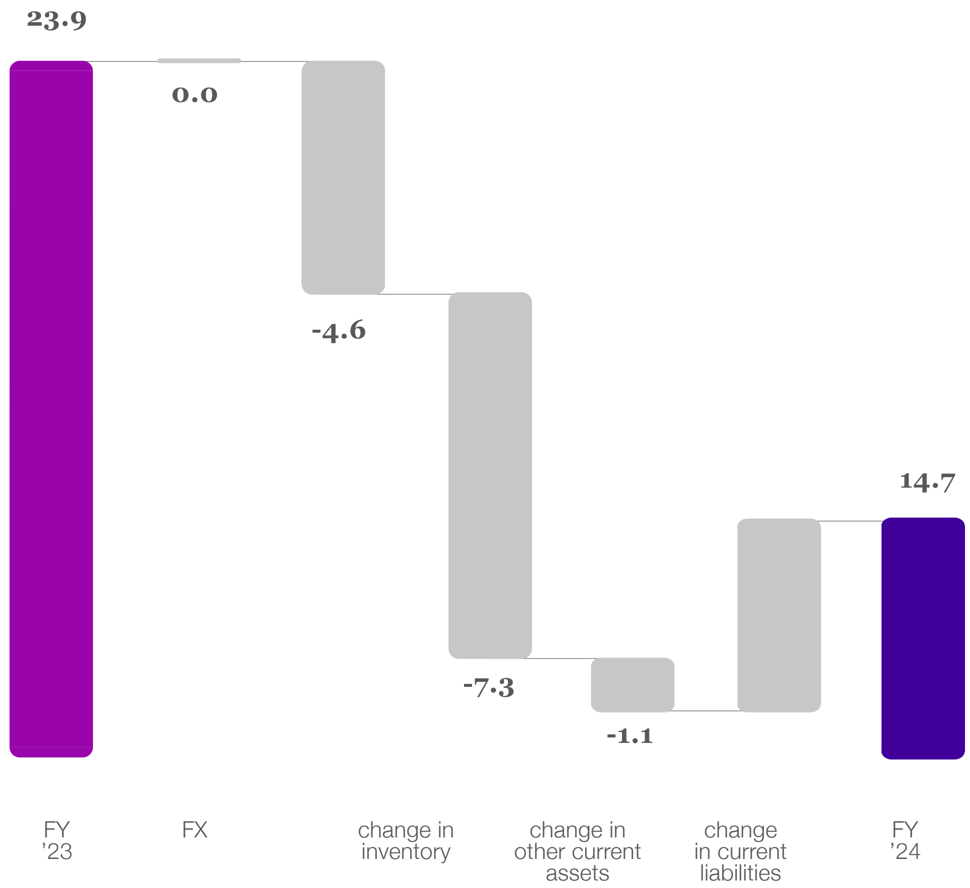


EBITDA in negative territory:
overall result driven by drop in revenues despite improvement in GM & opex

financial highlights

all values in M€





NFP stable thanks to NWC management.

Extracting cash parked in inventory. Receivable reduction mostly linked to sales volumes.

why eurotech

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 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 make best use of our skills.
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.

eurotech roots

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 **over 30 years of history**.

milestones in our technology evolution

1992

HW modules

1999

co-authors of MQTT with IBM

HW subsystems

2009

first HPC with direct liquid cooling

2012

co-founders of open-source IoT

integrated HW&SW

2013

greenest HPC in the world

2021

first IEC 62443-4-2 products

edge AIoT solutions

2023

consolidated edge

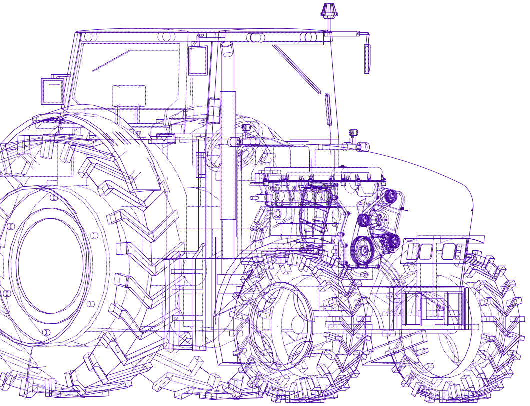
offering evolution: from embedded computing to complete edge solutions

investments & global footprint

- **1992** start-up
- **2001** Private equity taking a 32% stake
- **2003** Bolt-on acquistion in US
- **2004** Bolt-on acquistion in France
- **2005** IPO on the STAR segment of Borsa Italiana
- **2006** International expansion in UK & US via M&A / Capital increase
- **2007** Further expansion in Japan via M&A
- **2013** Sale of US subsidiary focused on defence
- **2022** InoNet Computer acquisition in Germany

offering evolution: from embedded computing to complete edge solutions

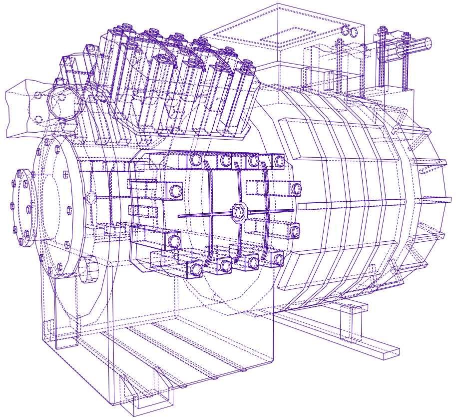
the value we create for our customers & partners



PROTECT

PROTECT

Certified state of art cybersecurity to connect mission critical assets.



TUNE

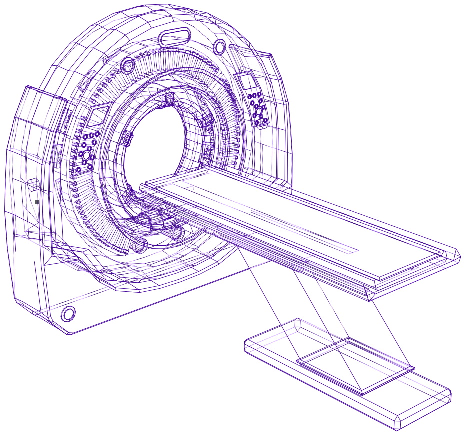
TUNE

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

CONNECT & COLLECT

CONNECT & COLLECT

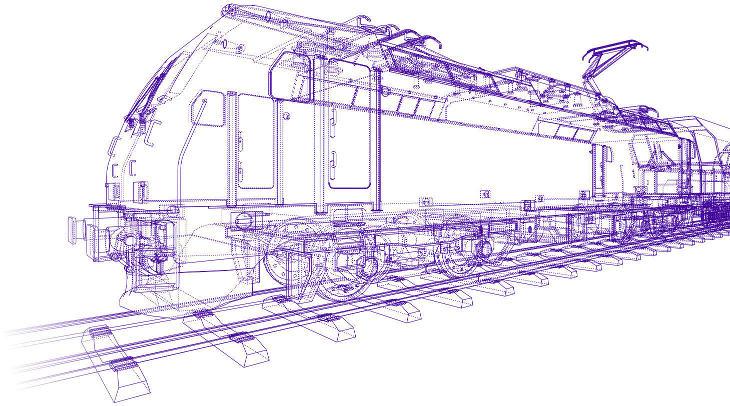
Easy “south-bound connection” to assets thanks to plug-in modules. Certified “north-bound connection” to leading cloud platforms.



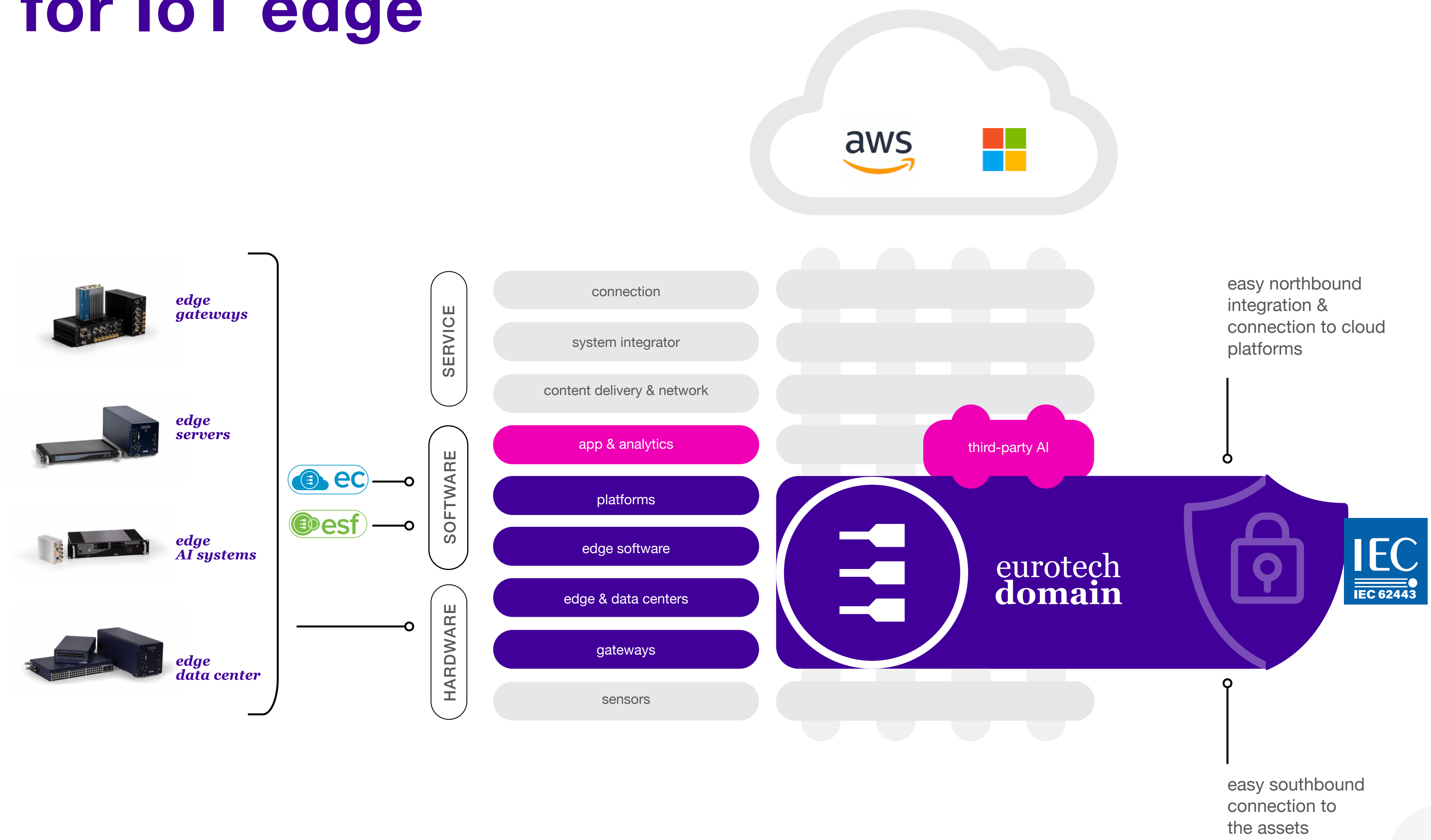
ENHANCE

ENHANCE

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



one-stop shop for IoT edge



product strategy

Eurotech's product strategy is to exploit the **technical excellence held in the company**, chase high growth market segments, and **look ahead to the future to stay at the forefront of the digital technology evolution.**

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

In such scenario, we will focus on those product segments which are projected to scale faster and present a higher CAGR.

product strategy

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 ARE COMMITTED TO OPEN & 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.

WE BELIEVE IN CYBERSECURITY BY DESIGN & 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.

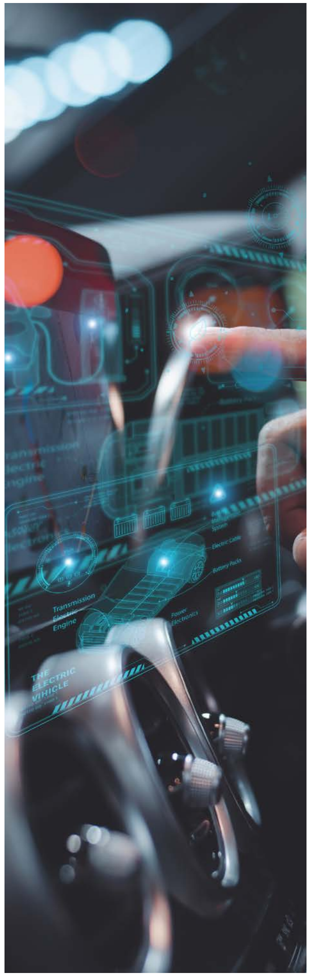
vertical strategy

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.



a business model to drive scale

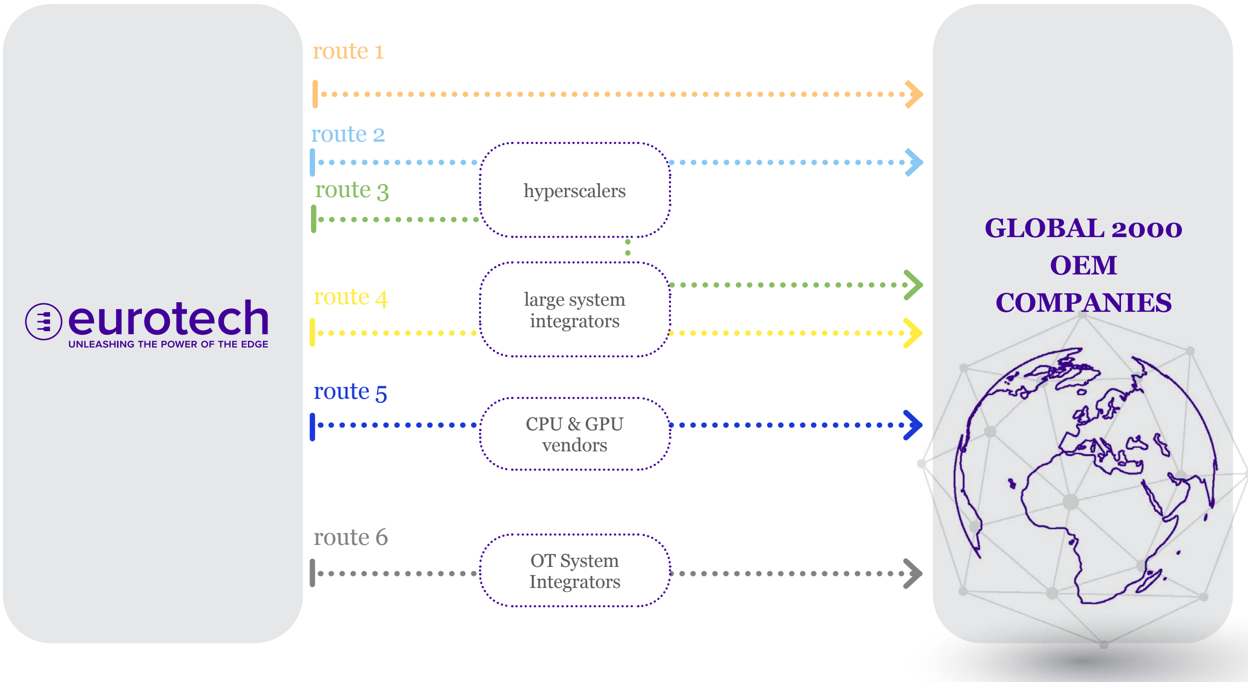
Eurotech's business model **brings together the historical innovative spin and specialization in mission-critical applications** with a new focalization on selected product families & market verticals.

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

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 open source 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.



eurotech

our environmental, social & strategy

We strive to act on our **commitment** to United Nations' Sustainable Development Goals **since 2009**.

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**.

As we grow our Industrial IoT & Edge AI 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.

eurotech

UNLEASHING THE POWER OF THE EDGE