

DRIVING INNOVATION. POWERING GROWTH.



ANNUAL REPORT 2024

LEADERS IN LEVELING

STRATEGIC REPORT

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At Somero we provide industry-leading concrete-leveling equipment, training, education and support to customers in over **90 COUNTRIES**. Our **INNOVATIVE TECHNOLOGY** allows contractors to complete every concrete floor installation faster, flatter and with fewer people, providing a platform for customers to **GROW SUCCESSFUL BUSINESSES**.

HIGHLIGHTS

FINANCIAL HIGHLIGHTS 2024

Revenue

US\$ **109.2m**
-9.5%



Adjusted EBITDA^(1,2)

US\$ **27.7m**
-24.1%



Ordinary dividend per share

US\$ **0.169**
-27.1%



Diluted adjusted net income per share^(1,3)

US\$ **0.33**
-28.3%



Cash flow from operations

US\$ **17.6m**
-27.9%



Net cash⁽⁴⁾

US\$ **29.5m**
-11.4%



OPERATIONAL HIGHLIGHTS 2024

- Launched three new products including Somero's first electric-powered laser Screed
- Established new service, repair, and training center in Belgium to serve customers in the European Union more efficiently
- Initiated CEO succession process and engaged an executive search firm to identify candidates

POST-PERIOD HIGHLIGHTS 2024

- Non-residential construction remains healthy with customers reporting improving activity levels and project backlogs
- Strong product and innovation pipeline with additional launches planned for 2025 including the Company's first electric Boomed screed, a new Ride-on screed, and a next generation Boomed screed
- Launched a virtual reality simulation training program for the S-22EZ Boomed screed and a mobile phone app in January 2025
- Declared an 8.9 US cents per share final 2024 ordinary dividend and a 4.1 US cents per share supplemental dividend, which combined with the interim 2024 ordinary dividend, totals US\$ 11.4m
- Authorized a new share buyback program of an aggregate value of up to US\$ 2.0m to offset dilution from ongoing equity award programs, with completion of the share buyback program expected by the end of 2025

Notes:

1. The Company uses non-US GAAP financial measures to provide supplemental information regarding the Company's operating performance. See further information regarding non-GAAP measures below.
2. Adjusted EBITDA as used herein is a calculation of the Company's net income plus tax provision, interest expense, interest income, foreign exchange gain (loss), other income (expense), depreciation, amortization, stock-based compensation and non-cash lease expense.
3. Adjusted net income as used herein is a calculation of net income plus amortization of intangibles and excluding the tax impact of stock option and RSU settlements and other special items.
4. Net cash is defined as cash and cash equivalents less borrowings under bank obligations exclusive of deferred financing costs.

WHO WE ARE

OUR PURPOSE

We work hard to deliver world-class products and services because we're passionate about **HELPING** our customers achieve their business and profitability goals.

OUR CULTURE

At Somero, we are always striving to be great... providing great equipment, service for our customers and creating a great place to work for our employees, and operating a sustainable and responsible business.

OUR VISION

Somero's vision is for our innovative, cutting-edge technology and processes to be in use wherever a ready-mix truck is discharging concrete for a horizontal concrete slab.

OUR VALUES

We believe in a set of core values for how we do business, how we innovate and how we treat our customers and employees.

Our values include:

- A commitment to teaching and learning
- Being accountable and taking ownership
- Embracing and driving change
- An ability to solve problems in creative ways
- Operating with a sense of urgency
- Expressing our passion through amazing service
- Proactive honest communication
- Having fun

OUR PRODUCTS

Somero products are technologically innovative machinery used in the process of horizontal concrete placement. By using Somero products, customers can expect flatter floors, increased productivity, and higher efficiency.

Somero pioneered the Laser Screed® machine market in 1986 and has led the market ever since through continued innovation, growing our product offering from a single model to a broad portfolio of products. Our proprietary designs are protected by over 120 patents and patent applications.

OUR SERVICES

Every piece of Somero equipment is designed and built to provide maximum productivity and operation economy throughout its working life.

Somero helps customers maintain that built-in value with a variety of services that include in-depth training, service contracts, extended warranty, equipment evaluation, and mechanical repairs.

All of these offerings are in addition to our guaranteed 24 x 7 x 365 troubleshooting over the phone with our expert Somero technicians.

OUR APPLICATIONS

Somero equipment is used to place and screed the concrete slab in all commercial building types, including all floors in multi-story buildings.

Our equipment has been used in construction projects for a wide array of the world's largest organizations including Amazon, Walmart, Costco, Home Depot, B&Q, Carrefour, IKEA, Mercedes-Benz, Coca-Cola, FedEx, Tesla and Prologis.

- Warehousing
- Assembly plants
- Commercial construction
- Exterior paving
- Parking structures
- Retail centers

STRATEGIC PILLARS



PRODUCT INNOVATION

Pushing the industry forward with innovative solutions to help customers increase speed, productivity & safety, and deliver high-quality concrete slabs for building owners.



→ Read more on [page 12](#)



INTERNATIONAL EXPANSION

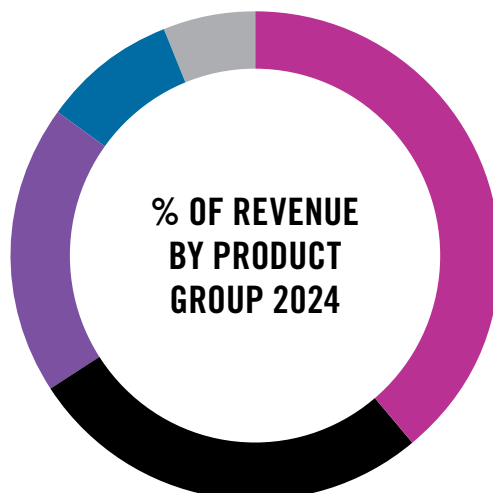
Growing our presence in global markets by promoting wide-placement theory & quality concrete flooring standards, and increasing penetration across our range of products.



→ Read more on [page 16](#)



→ See all products on our website: www.somero.com



- Boomed screeds **39%**
- Ride-on screeds **19%**
- 3D Profiler System **9%**
- Remanufactured Machines **6%**
- Other **27%**

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

OVERVIEW

The Board is pleased with a strong finish to the year, as anticipated after a challenging H1. The uptake of new products that were launched in 2024 collectively contributed approximately US\$ 7.6m in revenue which, alongside the moderation of the inclement weather in North America, meant that Group revenues totaled US\$ 109.2m (2023: US\$ 120.7m). The 9.5% decline was driven mostly by trading decline in North America and Australia in H1, with an improvement seen in H2. Notwithstanding this improvement, persistent factors outside of Somero's control continue to impact the pace of trading in North America.

Leveraging the Company's flexible cost structure, which enabled it to quickly adjust headcount and expenditures to the changing circumstances to sustain profitability, 2024 gross margin was 53.9% (2023: 55.8%) and adjusted EBITDA margin was 25.3% (2023: 30.2%). Net income of US\$ 18.6m (2023: US\$ 27.9m) converted to operating cash flow of US\$ 17.6m in 2024 (2023: US\$ 24.4m), reflecting healthy profitability and improved working capital management over 2023. The 2024 operating cash flow funded US\$ 15.8m in dividend payments and US\$ 2.6m in share buyback. December 31, 2024 net cash totaled US\$ 29.5m (2023: US\$ 33.3m). Excluding separation-related expenses, the Company's final 2024 results were broadly in line with market expectations.

REGION AND PRODUCT REVIEWS

North America

2024 North American sales declined 7.0% from 2023 to US\$ 82.2m mostly driven by lower sales of Boomed screeds. While the underlying non-residential construction market remains well supported by onshoring of manufacturing, electric vehicle and battery plants, data centers and chip manufacturing, which provide long-term demand for our products, customers are not operating at full capacity due to project start delays and pauses caused by elevated interest rates, labor shortages and concrete rationing, as reported in the 30 July 2024 Trading Update. The long-standing shortage of skilled labor necessitates automation, and work productivity continues to drive demand for our products in the territory. Our US customers report good activity levels and healthy project backlogs, and there was an improvement in trading conditions over H1.

Europe

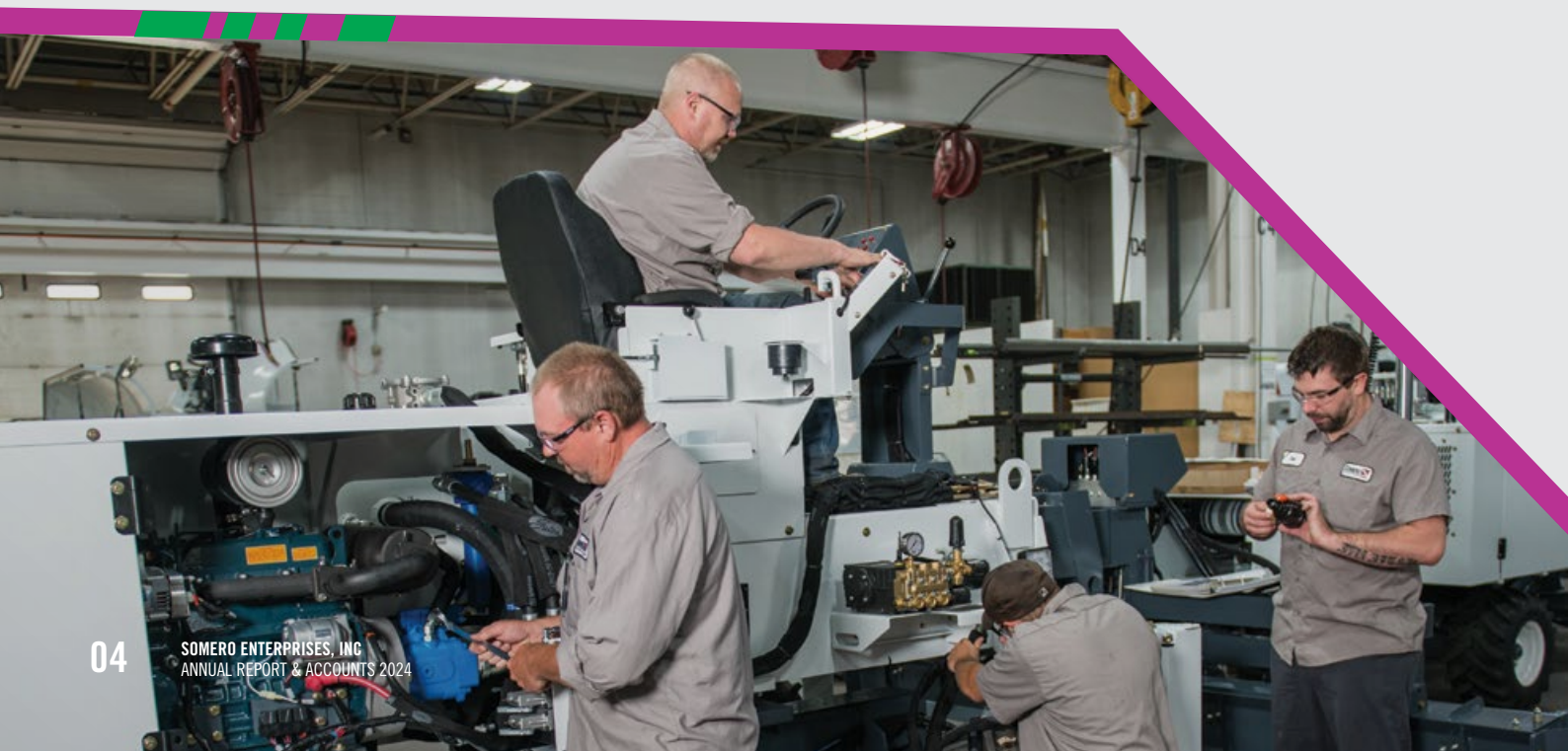
Europe, one of our target international markets where we see opportunity for future growth, reported relatively comparable year-on-year sales of US\$ 14.6m in 2024 (2023: US\$ 15.1m). In a market where demand for environmentally friendly products is strong, the introduction of Somero's first electric screed, the S-940e, has been particularly well received.

Australia

Australia reported a revenue decline of 33.6% to US\$ 6.6m against a record high in 2023 (2023: US\$ 9.9m). The transition from a dealer model to direct sales alongside the addition of key sales and support personnel facilitated the rapid expansion of our in-country product range from 2020 onwards. There was a strong initial uptake, contributing to the exceptional growth seen in recent years. While we anticipate the long-term growth rate in Australia to normalize to more sustainable levels, with the non-residential construction market remaining healthy, there remains opportunity to further deepen market penetration in the region.

Rest of World

Our Rest of World region, which includes Latin America, India, the Middle East, Southeast Asia, Korea and China, reported a revenue decline of 21% to US\$ 5.8m (2023: US\$ 7.3m). The main contributors to 2024 revenues were Latin America and India, which reported respective sales of US\$ 2.5m (2023: US\$ 2.7m) and US\$ 2.0m (2023: US\$ 2.0m). The decline in revenue in the Rest of World region was primarily because of volume reduction relating to the divestment of direct operations in China and a lower contribution from the Middle East. Given the relatively small base of business in each region, trading will fluctuate from period to period.



CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED



Finishing the year strongly despite ongoing macroeconomic headwinds is a significant achievement and testament to the hard work and dedication of our team members.

Jack Cooney
CEO of Somero

Products

Demand for our product categories is influenced by the type and size of projects and applications, which are ultimately driven by the end-user's requirements. For example, large Boomed screeds are ideal for expansive, large footprint projects like warehouses, medical facilities and manufacturing facilities, while Ride-on screeds are better suited to smaller footprint projects. Different applications also drive demand for other equipment such as exterior applications driving demand for the 3D Profiler Systems and the Somero Broom+Cure™. As these variables shift, our product mix fluctuates accordingly.

2024 Boomed screed sales decreased to US\$ 43.1m from the US\$ 53.9m reported in 2023, attributed to the external factors in the US noted above. Nonetheless, there continues to be healthy demand for large Boomed screeds driven by onshoring efforts, electric vehicle battery plants and US legislation including the CHIPS Act, a statute providing roughly US\$ 280 billion in new funding to boost domestic research and manufacturing of semiconductors in the United States. 2024 sales of Ride-on screeds were consistent with the prior year totaling US\$ 20.3m (2023: US\$ 20.4m), while sales of 3D Profiler Systems and remanufactured machines increased 4% and 12%, respectively, compared to 2023.

Within the other revenue category, revenue from parts and service declined to US\$ 19.1m from US\$ 20.5m reported in 2023, with most of the decline in North America, Australia, and China, commensurate with the overall volume declines in those regions. Parts and services revenue in Europe remained comparable to prior year supported by the addition of the Belgium service center, which became fully operational at the end of H1 2024. The center enhances the Company's ability to serve customers in the region and meet the demand for local machine repair and servicing, strengthening customer satisfaction and positioning us to capture more business in the region. Customer feedback on the Belgium service center has been overwhelmingly positive.

With the introduction of new and innovative products, a key component of the Group's growth strategy, the Board is pleased with the meaningful collective revenue contribution from new products introduced in 2024 including the S-940e, an electric version of the Company's popular S-940 ride-on machine, the SRS-6s, a new product filling a product-line market application gap, and the STS-11HC high capacity spreader, which launched at the end of 2024.

The Company continues to advance a pipeline of ideas for new products and innovations that address customer pain points, including the journey toward electrification and exploring and implementing new technological advancements that will enhance our current and future offerings.

Sales of the SkyScreed® 36 were US\$ 0.7m in 2024 compared to none in 2023. The SkyScreed® 36 is supported by a strong value proposition that delivers meaningful value to customers, addressing an entirely new market segment and customer base. As with any new invention, the SkyScreed® 36 is a highly disruptive solution that significantly changes long-established jobsite work practices and workflows. We remain confident that the long-term opportunity in the high-rise structural market far exceeds reported 2024 revenue for the Company, but understand as with all disruptive technology, gaining broad market acceptance will be a gradual process and trading will be volatile.

We remain committed to investing significant time and resources into direct customer engagement to cultivate a pipeline of solutions that address pain points. These initiatives will drive the launch of new products and next generation machines in 2025.

The first of these, the SRS-4e, an electric version of the Company's popular SRS-4 Boomed screed, launched in January 2025, continues the long journey toward electrification. The second product, expected to launch in H1 2025, further demonstrates Somero's commitment to expanding its addressable market offering—a value proposition targeted at a new and broad customer segment. The Company also intends to launch a next generation version of one of its legacy Boomed screeds in H2 2025.

Research and development is not only focused on advancing our current and future product offerings through new technologies but also on enhancing the overall customer experience. In January 2025, the Company launched a virtual reality simulation training program for the S-22EZ complete with mobile phone app. This will enable customers to engage in active training remotely, saving time and expense.

CASHFLOW AND BALANCE SHEET

Somero reported operating cash flow in 2024 of US\$ 17.6m, a strong result nonetheless driven by healthy profit margins and improved working capital investment, albeit down from US\$ 24.4m reported in 2023 primarily due to lower profitability. We made significant progress in reducing excess safety stock, initially built up to mitigate supply chain shortages, though this was partly offset by inventory related to new products. We will continue to drive to work down excess safety stock in 2025.

The Company spent US\$ 2.4m in 2024 on capital expenditures (2023: US\$ 1.7m), relating to office renovations at the Michigan, USA facility, ongoing product software programs, and other activities in the ordinary course of business. With the goal of continuously enhancing productivity and customer engagement, the Company intends to continue to make investments in technological solutions in 2025 within operations, customer training, and marketing, including the aforementioned virtual reality simulation training program and mobile phone app launched in January 2025. The Company also paid dividends in 2024 totaling US\$ 15.8m (2023: US\$ 19.8m), reflecting the Company's ongoing commitment to disciplined return of cash to shareholders, and repurchased US\$ 2.6m in common stock under the Company's share buyback program (2023: US\$ 1.4m).

The Company ended 2024 with US\$ 29.5m in net cash, slightly down from the US\$ 33.3m reported in 2023 reflecting lower net income, offset by lower working capital investment and lower dividend payments, but still providing a secure financial position with a December 31, 2024 net cash balance that comfortably exceeds the Board-approved minimum year-end cash reserve of US\$ 25.0m.

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

DIVIDEND AND SHARE BUYBACK PROGRAM

Based on the results of 2024, our secure financial position, and outlook for 2025, we are pleased to report that the Board has declared a final 2024 ordinary dividend of US\$ 0.0890 per share, calculated based on the Board approved payout ratio of 50% of adjusted net income, and after reviewing anticipated future cash requirements for the business, the Board has also declared a supplemental dividend of US\$ 0.0409 per share, calculated as a 50% distribution of December 31, 2024 cash that exceeds the Board-approved year-end US\$ 25.0m minimum net cash reserve. The final 2024 ordinary dividend when combined with the US\$ 0.08 per share interim dividend paid in October 2024, results in a total 2024 ordinary dividend of US\$ 0.1690, a 27.1% decrease from the US\$ 0.2319 per share 2023 ordinary dividend. Both the final 2024 ordinary dividend and the 2024 supplemental dividend will be payable on May 9, 2025, to shareholders on the register at April 11, 2025. The common stock ex-dividend date is April 10, 2025.

In 2024, the Company repurchased a total of 608,918 shares of common stock under the Company's share buyback program put in place to offset dilution from ongoing equity award programs (2023: 373,635). Under the buyback program, the maximum price paid per common share is to be no more than the higher of 105% of the average middle market closing price of common share for the five business days preceding the date of any share buyback, the price of the last independent trade and the highest current independent purchase bid. It is intended that any shares repurchased will be immediately cancelled and the Company will make further announcements to the market as and when share purchases are made.

The Board has approved a 2025 share buyback program, pursuant to which, the Board intends to carry out a buyback of US\$ 2.0m of common shares in order to mitigate future dilution resulting from share issuances under the Company's equity award programs. The Company expects to complete the program by the end of 2025.

OUR PEOPLE

We thank our global team for their hard work in 2024. Their ability to adapt to changing conditions while maintaining high standards for our customers is a key strength. The Board and management remain committed to providing a workplace where employees feel valued and have opportunities to grow.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Board actively monitors environmental, social, and governance (ESG) factors. These issues are carefully considered to ensure that Somero effectively balances shareholder expectations with the broader concerns of key stakeholders, supporting the Company's long-term sustainability. A primary material topic is the environmental impact of our business, including the use of our equipment in the construction process. The collective results of two environmental studies conducted by Colorado State University and Middle Tennessee State University concluded that the use of our laser screed machines in non-residential construction provides a number of environmental benefits, including a reduction in required concrete used in slab-on-grade projects that in turn reduces carbon emissions during construction that would otherwise occur from the use of alternative manual methods, which quantified in the phase two study to be approximately 3%.

As noted above, the Company has now introduced two electric machines, marking steps toward electrification. The Board remains committed to advancing this transition in line with customer demand.

We remain dedicated to strengthening both customer and employee training, ensuring that our teams and clients have the knowledge and skills to maximize efficiency and performance. Beyond our own organization, we actively support industry-wide development by engaging with key trade groups, sponsoring initiatives, and contributing to discussions on critical areas such as safety, education, and best practices. Finally, the Board remains committed to maintaining a diverse and independent composition, bringing together a wide range of expertise, perspectives, and backgrounds to support effective governance and decision-making.

CONCLUSION AND OUTLOOK

Despite a challenging environment, our employees' skill, commitment, and resilience meant we made a great deal of progress in 2024, with an increase in momentum in H2. The Company reported trading and profitability, excluding separation-related expenses, in line with revised market expectations, improved working capital investment, paid US\$15.8m in dividends to shareholders, launched three new products that contributed meaningfully to revenue, fortified customer support in Europe with the addition of the Belgium service center, and completed product development activities to set forth additional new product launches in 2025.

Looking forward, the Board expects US non-residential construction to remain healthy in general, supported by customers reporting strong bidding levels and backlogs, continued contribution from Europe and Australia, and multiple new product launches. Conversely, recent developments in international trade and geopolitical relations, immigration policy, coupled with an ongoing restrictive monetary environment, pose uncertainties in the marketplace.

With the Board's vision of long-term growth from new products and deeper international penetration, it has committed to continue making targeted investments to add resources to drive long-term growth. With the planned addition of customer-facing strategic resources in 2025, we expect a modest increase in operating costs that is within our traditionally targeted US\$ 2.0m incremental investment.

The Board anticipates the delivery of solid revenues, profits and cash flows to shareholders in 2025, underpinned by a strong balance sheet with no outstanding debt and full availability of its US\$ 25.0m credit facility. The strength of the non-residential construction markets in the US, Europe and Australia, while being cognizant of macro considerations form the foundation of the Company's 2025 expectations. Taking all factors into account, revenues and EBITDA are expected to show moderate growth on 2024, with corresponding improvements in profitability and cash generation.

Lawrence L. Horsch
Non-Executive Chairman

Jack Cooney
President & Chief Executive Officer

TRADING UPDATE – APRIL 24 2025

Following the Final Results published on March 11 2025, which included the above Conclusion and Outlook section, the Company issued a trading update on April 24 2025. The update reported that trading in the three months ended March 31 2025 was weaker than expected due to recent developments in international trade relations and US immigration policies heightening global uncertainty and exacerbating an already challenging selling environment in the US. The full trading update, including revised guidance for FY 2025, is available at <http://www.investors.somero.com/>.

1. Net Cash is defined as total cash and cash equivalents less borrowings under bank obligations exclusive of deferred financing costs.

INVESTMENT CASE

REASONS TO INVEST

Our performance in 2024 is a great illustration of the strength of our management team, the flexibility of our operating model, and our commitment to driving long-term growth.

01 INDUSTRY LEADER IN INTRODUCING CUSTOMER-DRIVEN, TECHNOLOGICALLY ADVANCED NEW PRODUCTS

02 DOMINANT MARKET POSITION

03 SIGNIFICANT BARRIERS TO ENTRY BASED ON TECHNOLOGY, EDUCATION, AND GLOBAL TECHNICAL SUPPORT AND INDUSTRY EXPERTISE

04 SKILLED MANAGEMENT TEAM WITH EXTENSIVE INDUSTRY EXPERIENCE

05 ATTRACTIVE GLOBAL GROWTH OPPORTUNITY

06 STRONG AND CONSISTENT FINANCIAL PERFORMANCE

GLOBAL MARKET OVERVIEW

OUR LOCATIONS

NORTH AMERICA

DRIVERS OF GROWTH

- New product introductions
- New technology to upgrade fleet of installed equipment
- Fleet additions
- Shortage of skilled labor in concrete construction industry
- Continued growth of e-commerce driving demand for warehousing
- Manufacturing and warehouse onshoring
- Growth in demand for data centers and related ancillary facilities

MARKET DYNAMICS

- Largest market and installed base of equipment
- Non-residential construction market fundamentals remain positive in the US
- Healthy economy supported by extended customer project backlogs and high bidding levels

EUROPE

- New product introductions
- New technology to upgrade fleet of installed equipment
- Fleet additions
- Shortage of skilled labor in concrete construction industry
- Continued growth of e-commerce driving demand for warehousing
- Growth in demand for data centers and related ancillary facilities
- Machine electrification
- Demand for parts and service
- Expand growth in demand for quality concrete flooring

- Second largest installed base
- Positive non-residential construction market conditions in the European region

AUSTRALIA

- New product introductions
- New technology to upgrade fleet of installed equipment
- Fleet additions
- Shortage of skilled labor in concrete construction industry
- Continued growth of e-commerce driving demand for warehousing

- Meaningful installed base of equipment
- Healthy non-residential market conditions

REST OF WORLD

- New product introductions
- Shortage of skilled labor in concrete construction industry
- Continued growth of e-commerce driving demand for warehousing
- Expand growth in demand for quality concrete flooring

- Current market penetration is very low
- Meaningful opportunities in the Middle East, Latin America and India

ONGOING PRIORITIES

PERCENTAGE OF TOTAL
2024 REVENUES

- Introducing product innovations to the market
- Increasing the efficiency and depth of sales and support coverage
- Increasing the reach of our training capabilities and industry expertise

75%

18%

North America revenue from new customers

- Increasing market penetration of new products
- Increasing efficiency and depth of sales and support coverage
- Increasing the reach of our training capabilities and parts and service offerings
- Supporting promotion of wide-placement theory and quality standards for concrete floors

14%

26%

European revenue from new customers

- Introducing product innovations that resonate with the local market
- Increasing market penetration of new products
- Increasing the reach of our training capabilities and parts and service offerings

6%

49%

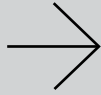
Australian revenue from new customers

- Increasing market penetration of new and legacy products
- Increasing efficiency of sales and support coverage
- Supporting promotion of wide-placement theory and quality standards for concrete floors

5%

OUR BUSINESS MODEL

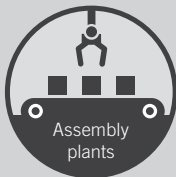
WHAT WE DO



Somero's laser-guided technology and wide-placement methods have been specified for use in a wide range of construction projects.



Warehousing



Assembly plants



Commercial construction



Exterior paving

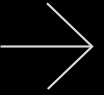


Parking structures



Retail centers

WHO WE WORK WITH



Somero operates in markets across the globe, selling products in **90+ COUNTRIES.**

We work with small, medium and large concrete contractors and self-performing general contractors.

Our equipment has been used in construction projects for a wide array of the world's largest organizations.



WHAT MAKES US DIFFERENT



OUR INNOVATIVE PRODUCT LEADERSHIP

- Pioneered Laser SCREED® machine market

1986

- Product portfolio grown to

20+

- Designs protected by our patents/applications

120+

- Product development fueled by customer engagement

OUR INDUSTRY EXPERTISE, TRAINING AND SUPPORT

- Proven commitment to exceptional classroom/job-site training
- 24/7 direct global support (within 10 minutes, all major languages)
- Overnight spare parts delivery, next-day world travel
- Somero Concrete College & Institute

OUR BENEFICIARIES

Key benefits to OUR EMPLOYEES

- Challenging and rewarding work environment full of opportunity
- Investment in training to help each employee reach their full potential

Key benefits to OUR CUSTOMERS

- Quality
- Productivity
- Profit
- Direct access to Somero expertise, training and support

Key outcomes for BUILDING OWNERS AND END-USERS

- Operational efficiency
- Improved physical appearance
- Lower floor maintenance cost
- Lower forklift repair cost

Key benefits for OUR INVESTORS

- Strong, consistent financial performance
- Significant growth opportunity in new and existing markets
- Strong, unleveraged financial position
- Disciplined return of cash to shareholders

OUR STRATEGY

PRODUCT INNOVATION



Pushing the industry forward with innovative solutions to help customers increase speed, productivity & safety and deliver high-quality concrete slabs for building owners.

STRATEGY IN ACTION

New product releases

With the introduction of new and innovative products, a key component of the Group's growth strategy, the Board is pleased with the meaningful collective revenue contribution from new products introduced in 2024 including the S-940e, an electric version of the Company's popular S-940 ride-on machine, the SRS-6s, a new product filling a product-line market application gap, and the STS-11HC high capacity spreader, which launched at the end of 2024.

The Company continues to advance a pipeline of ideas for new products and innovations that address customer pain points, including the journey toward electrification and exploring and implementing new technological advancements that will enhance our current and future offerings.



➔ Discover more about our scheme online at [Somero.com](https://www.somero.com)

PROGRESS DURING THE YEAR

- Growing contribution from new products
- Active period of jobsite visits, customer innovation councils – sets stage for next round of new products

2024 New Product Revenues*

us\$ 7.6m

Current Patents & Applications

120+

ONGOING PRIORITIES

To expand Somero's product offering, and consequently increase the Company's addressable market opportunity, by developing proprietary, innovative and often disruptive solutions for customers that improve the efficiency, productivity, quality and safety of their work.



PRODUCT INNOVATION

SOMERO'S JOURNEY

Somero started as a single product company in 1986 and has grown its portfolio to over 20 products over 30 years, significantly expanding our addressable market. We are always looking for ways to improve the construction industry and what we can provide.

1985



LASER SCREED LTD. MET WITH SOMERO AND SAW DEMO OF S-240 PROTOTYPE IN USA

Somero and Laser Screed Ltd. verbally agreed on distribution for Europe and Scandinavia.

1986
S-240



1996
S-160



1999
3-D Profiler System®



2002
S-9210



1991
STS-130
Topping
Spreader



1998
S-100



2000
STS-132



SP-80



2004
XD™ 1.0



SXP™



2006
HouseHog™



2019
Updated as
LineDragon

2005
PowerRake®



XD™ 2.0



2007
XD™ 3.0



PowerRake®
2.0



SiteShape™



2009
Mini
Screed™-C



SXP®-D



PowerRake® 3.0



2012
S-840



2014
S-22E



S-485



2019
SkyScreed



SRS-4e
First Ever Electric Boom machine

2025



2010
SMP



Mini Rake



2013
S-15M



S-15R



STS-11M



2017
S-22EZ



2020
SRS-4



Broom+Cure™



NEW Platform
in **2022**

2022
S-PS50



S-28EZ



SkyStrip



2024
STS-11HC



SRS-6s



S940E
Somero's First Ever
Electric machine



2025



OUR STRATEGY

INTERNATIONAL EXPANSION

- Long-standing facility located in Chesterfield, UK: with sales and customer support staff
- Additional sales and customer support personnel in Italy, Germany and The Czech Republic
- In 2024, established and fully staffed a training and service center in Kampenhout, Belgium: to better serve customers in the European Union
- Large opportunity as additional geographies adopt quality concrete flooring standards



Growing our presence in global markets by promoting wide-placement theory & quality concrete flooring standards, and increasing penetration across our range of products.

ONGOING PRIORITIES

- Promote the benefits of wide-placement and quality concrete flooring standards to increase market penetration with new and existing products in current and additional countries.
- Expand service, repair and training revenue in Europe.

OUR LOCATIONS

Somero's Global Headquarters and training facility, and the home of the Somero Concrete Institute, is located in Fort Myers, Florida while the Company's Operations and Support Center is located in Houghton, Michigan. Somero also maintains a Sales and Service Office in as well as sales and service offices located in Chesterfield, UK, New Delhi, India, Melbourne, Australia and our newest location, Kampenhout, Belgium.

- **Fort Myers, Florida:**
Global Headquarters and Somero Concrete Institute training facility
- **Melbourne, Australia:**
Sales and service office
- **Houghton, Michigan:**
Production, operations and support
- **Chesterfield, UK:**
Sales and service office
- **New Delhi, India:**
Sales and service office
- **Kampenhout, Belgium:**
Sales and service office

NORTH AMERICA

- Headquarters in Fort Myers, FL,
- Manufacturing in Houghton, MI
- Direct sales and dealers
- New Product Development begins here
- **Key value proposition: Labor savings, Productivity, Quality**

Global Headquarters, Fort Myers, USA



EUROPE

- First Laser screed sold in the UK in 1995
- Second-largest market
- Direct sales, dealers, agents and customer support in UK, Italy, Germany, The Czech Republic and Belgium
- Kampenhout, Belgium supports European sales & service
- **Key value proposition: Labor savings, Productivity, Quality**

Service Centre, Chesterfield, UK



Service Centre, Kampenhout, Belgium



REST OF WORLD

- **Latin America** (dealer) entered in 1993
- **India** (direct sales) entered market in 2006
- **S.E. Asia, Pacific** (dealer)
- **Middle East and Africa** (agent)
- **Key value proposition: Productivity**

Service Center, New Delhi, India



AUSTRALIA

- Entered the market in 1999
- Approach to market through distribution until 1999
- Direct sales in 2020
- The Melbourne office supports sales and service
- **Key value proposition: Labor savings, Productivity, Quality**

Service Center, Melbourne, Australia

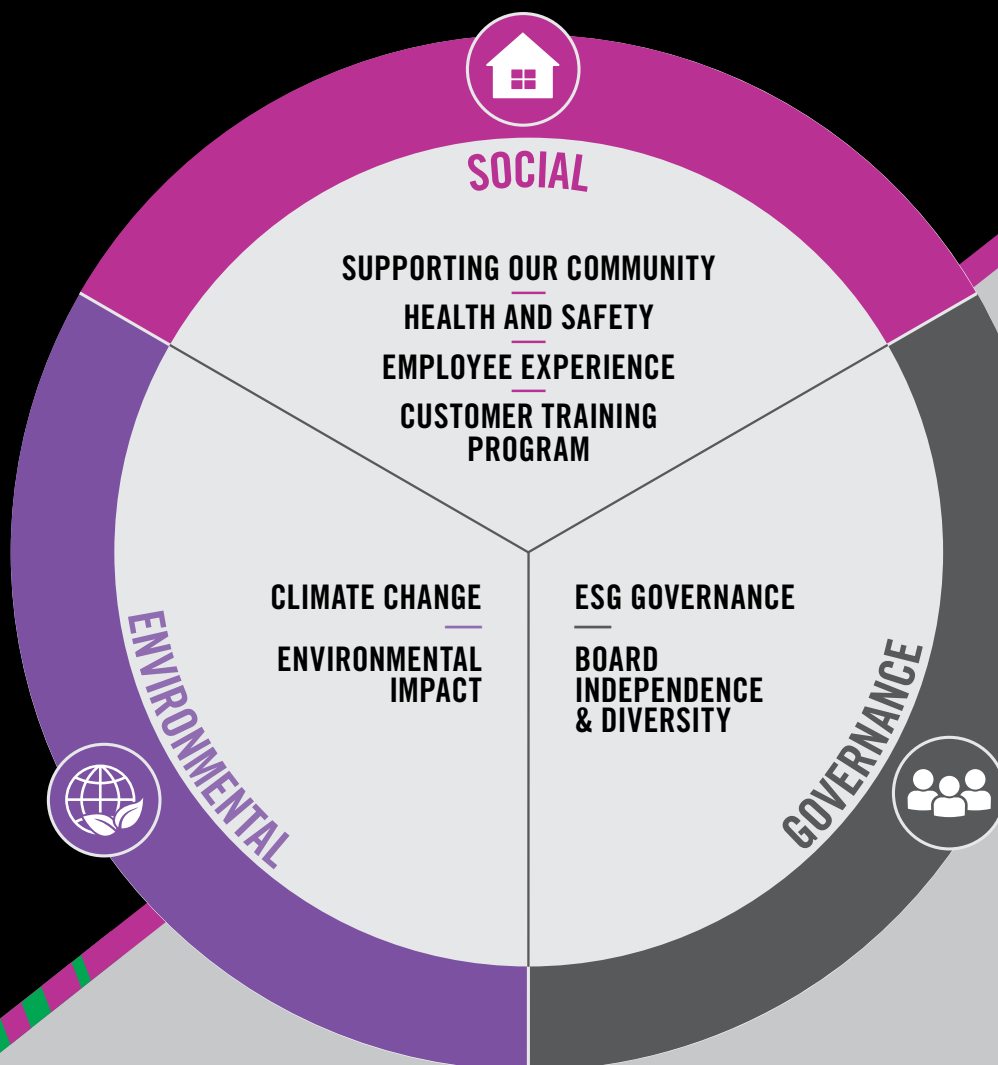


Non-Operational Staff Based Outside US

29%

OUR ESG FRAMEWORK

Our goal is to strike the right balance between shareholder expectations and the needs and concerns of our employees and customers, the communities we live in, and the environment. In 2024, we continued to make progress on our long-term ESG journey. The Company will continue to monitor and improve upon metrics outlined on **pages 19-21**.



SOCIAL

Somero is dedicated to fostering an open and inclusive working environment for our employees, ensuring their safety and wellbeing at all times, supporting a training program for our customers and giving back to the community in which we operate.

ENVIRONMENTAL

Somero is committed to making a lasting positive impact on the environment in which we operate and doing our bit to reduce our environmental footprint.

GOVERNANCE

Maintaining strong, diverse leadership and accountability on ESG issues is critical and Somero takes this responsibility seriously in how we manage ESG across our business.



SOCIAL

01 SUPPORTING OUR COMMUNITY

Somero cares deeply about our community and supporting local charities is an important part of that.

Commitment: To financially support local charities and communities in the areas where we operate and support our employees with volunteering and fundraising efforts wherever possible.

Metrics: Funds donated to charitable causes, hours donated to volunteering.

Accomplishments:

- Provided financial support to local charities. In 2024, financial support of 18 non-profit organizations, totaling over US \$103,500.
- Provided “days of service” where the Company/employees give time in support of the charities.
- Created employee volunteer initiative program resulting in participation of 70 employees and 337 volunteer total hours toward five non-profit organizations.

02 HEALTH AND SAFETY

The health and safety of our team, both in the workplace and on site, is of the highest priority at Somero and we work meticulously to ensure the highest safety standards possible to protect the welfare of our people.

Commitment: We monitor and constantly improve all aspects of health and safety in the workplace and onsite, providing employees with the appropriate training, equipment and support to do their jobs safely.

Metrics: Recordable incidents, maintain ISO 9001 accreditation, safety training delivered.

Accomplishments:

- Workplace training at Somero facilities to educate employees on safety with a goal to limit/reduce workplace injuries.
- Expanded safety training program to reduce the Company's Occupational Safety and Health Administration (OSHA) incident rate. Over 750 hours of training provided in 2024.
- Developing new products/solutions for customers that improve job-site safety.
- Saw a significant reduction in injuries in 2024 due to a strong focus on safety.



Discover more about our people online at www.Somero.com

Financial support raised for 18 non-profit organizations

>US\$ **103,500**

SOCIAL CONTINUED

03 EMPLOYEE EXPERIENCE

Fostering a positive company culture and environment where our employees have ample opportunity to learn and develop is key for retaining our team and growing our workforce.

Commitment: We grow and maintain a strong and supportive company culture and provide training and development opportunities to our colleagues to support their growth and progression.

Metrics: Employee feedback, number of internal training hours delivered to employees.

Accomplishments:

- Conducted 222 days of employee customer support training to expand knowledge base.
- Regular, open engagement with employees through Company-wide meetings, bi-annual performance reviews, and through a variety of social events.

04 CUSTOMER TRAINING PROGRAM

Somero is proud to support our customers by providing unique training opportunities that develop a strong pipeline of skilled workers, benefiting the industry as a whole.

Commitment: We deliver a training program to our customer base that supports a pipeline of skilled talent within the concrete construction industry.

Metrics: Number of external training hours delivered.

Accomplishments:

- Held 408 training events globally, of which 25% were held at the Company's training facility and the remainder onsite at customer locations. Training events held at the Company's training facility included 397 attendees representing 134 individual companies.
- Hosted our first SCI-style classroom training events in Belgium and Australia.
- The Company offers virtual training via its Learning Management System (LMS). In 2024, over 3,000 users accessed LMS training videos.
- Key members of the Company's management team actively participated in concrete construction association events, including the American Society of Concrete Contractors (ASCC), and the American Concrete Institute (ACI).
- Providing training opportunities that leverage the Somero Concrete Institute to increase the pool of skilled labor for the concrete construction industry.
- Released the S-22EZ Virtual Reality training for our flagship model and have been shipping VR training equipment with new machines as well as interest from existing customers for quotes. Fully implemented into Somero's SCI training curriculum.



ENVIRONMENTAL

01 CLIMATE CHANGE

Climate change is a critical issue facing humanity today and Somero is committed to ensuring our own operations maintain a low carbon footprint and optimal energy efficiency in support of this effort.

Our products generally help the broader environment by minimizing concrete waste in construction projects, avoiding excess emission of CO₂.

Commitment: To reduce our carbon footprint and improve energy efficiency across our operations.

Metrics: Total energy consumption, CO₂ production.

Accomplishments:

Commissioned a two-phased environmental study by Middle Tennessee State University and Colorado State University. The phase one study was completed in 2021 by Middle Tennessee State University, the results of which are outlined in a white paper available on our website. The phase one study concluded the use of our laser screed machines in non-residential construction provides a number of environmental benefits, including a reduction in required manpower and concrete used in building projects that in turn reduces carbon emissions during construction that would otherwise occur from the use of alternative manual methods. Colorado State University study completed in 2023 concluded that the use of Somero laser screed equipment reduces concrete used in slab-on-grade projects by 3% over traditional manual methods.

ENVIRONMENTAL CONTINUED

02 ENVIRONMENTAL IMPACT

Somero understands that natural resources are finite and our business has a responsibility to protect the environment by minimizing waste and water use.

Commitment: To reduce the amount of waste across our operations and minimize our water and electrical power consumption.

Metrics: Waste to landfill, recycling, total water and electrical power consumption.

Accomplishments:

- Measured against baselines established in 2023 for water, electrical power, and gas consumption from operations and identified opportunities to increase efficiency.

- Collaborated with a third party provider to install water-efficient wash bay as part of the Remanufactured reconditioning process.
- Continued the cardboard recycling program implemented in 2023. Recycled 24,779 pounds of cardboard in 2024.
- Natural gas consumption decreased by 21,106 therms, representing a 17% reduction.
- Electricity consumption decreased 6.5% in 2024 although the Houghton facility was expanded by 35% in 2023.
- Our Remanufactured machines, which are customer machines that are taken in on trade toward the purchase of new machines, reconditioned and resold, ultimately reduce waste to landfill.

Cardboard recycled 2024

12+ Tons

Power consumption reduction (from 2023)

-67,884 kWh

GOVERNANCE



01 BOARD INDEPENDENCE & DIVERSITY

Ensuring our Board is independent, operates honestly and is representative of the diverse voices in our Company is key to our success.

Commitment: To ensure equal and fair opportunities among our Board members with appropriate levels of independence.

Metrics: % of Board by gender, % of Board by ethnicity, number of independent Board members.

Accomplishments:

25% of Non-Executive Directors are female.

→ Read more on [page 30](#)

02 ESG GOVERNANCE

ESG topics are now a critical part of business as usual and ensuring strong leadership and accountability on these matters is of great importance to Somero.

Commitment: To have transparent accountability on ESG issues and report on performance each year for the benefit of our stakeholders.

Ongoing Action: Enhance ESG reporting to increase awareness of ongoing Company efforts to balance shareholder/stakeholder interests.

Number of female Non-Executive Directors

25%

STAKEHOLDER ENGAGEMENT

HOW WE ENGAGE

Developing a comprehensive ESG strategy that includes regular engagement with stakeholders on material topics.

OUR STAKEHOLDERS

MATERIAL TOPICS

ENGAGEMENT

ENVIRONMENTAL

The net carbon impact of our operations is modest and use of our equipment reduces CO₂ emissions.

- Broader environmental goals

- Investing to increase energy efficiency of operations
- Study on CO₂ environmental impact of Somero equipment

COMMUNITIES

Somero strives to make a lasting, positive impact in the community and on the environment.

- Local charities

- Supporting and donating to local charities, and industry education programs that include total donations of over \$103,500 in 2024

EMPLOYEES

Our dedicated and talented employees deliver great results for our customers and shareholders. We strive to create a work environment where employees thrive and grow.

- Working environment, culture and values
- Opportunities for learning and career development

- Training programs
- Investing in remote working tools
- Performance management

CUSTOMERS

Somero's customer relationships are built on years of providing solutions and world-class training and support.

- New product development
- High-quality products and services
- Training and education
- Job-site safety

- Direct sales/support
- Customer-led product development
- Trade shows
- In-person and virtual information and training sessions
- Support and actively partake in industry associations

BOARD/INVESTORS

Somero prioritizes an open, transparent dialogue with our Board and shareholders regarding our business performance and strategy.

- Financial performance
- Business strategy
- Market conditions
- Risk management
- Return of capital
- Governance

- Virtual roadshows
- Recorded presentations
- Trading updates
- Enhancing Board independence and diversity
- Monthly meetings

01 CONCRETE INDUSTRY MANAGEMENT DONATION



02 CUSTOMER TRAINING



03 FEEDING AMERICA



04 31 BACKPACKS



05 HARRY CHAPIN FOOD BANK



FINANCIAL REVIEW

SUMMARY OF FINANCIAL RESULTS

| | Year ended December 31, | |
|--|--|--|
| | 2024 US\$ 000 Except per share data | 2023 US\$ 000 Except per share data |
| Revenue | 109,154 | 120,699 |
| Cost of sales | 50,350 | 53,343 |
| Gross profit | 58,804 | 67,356 |
| Operating expenses | | |
| Selling, marketing and customer support | 14,723 | 14,742 |
| Engineering and product development | 2,691 | 2,679 |
| General and administrative | 17,113 | 16,340 |
| Total operating expenses | 34,527 | 33,761 |
| Operating income | 24,277 | 33,595 |
| Other income (expense) | | |
| Interest expense | (53) | (19) |
| Interest income | 354 | 196 |
| Foreign exchange impact | (918) | (731) |
| Other | 139 | 196 |
| Income before income taxes | 23,799 | 33,237 |
| Provision for income taxes | 5,195 | 5,259 |
| Net income | 18,604 | 27,978 |
| | Per Share US\$ | Per Share US\$ |
| Basic earnings per share | 0.34 | 0.50 |
| Diluted earnings per share | 0.33 | 0.50 |
| Basic adjusted net income per share ^{(1), (3), (4)} | 0.34 | 0.46 |
| Diluted adjusted net income per share ^{(1), (3), (4)} | 0.33 | 0.46 |
| Other data | | |
| Adjusted EBITDA ^{(1), (2), (4)} | 27,667 | 36,459 |
| Adjusted net income ^{(1), (3), (4)} | 18,590 | 25,737 |
| Depreciation expense | 1,688 | 1,425 |
| Amortization of intangibles | 142 | 135 |
| Capital expenditures | 2,449 | 1,740 |

Notes:

- Adjusted EBITDA and Adjusted net income are not measurements of the Company's financial performance under US GAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with US GAAP or as an alternative to US GAAP cash flow from operating activities as a measure of profitability or liquidity. Adjusted EBITDA and Adjusted net income are presented herein because management believes they are useful analytical tools for measuring the profitability and cash generation of the business. Adjusted EBITDA is also used to determine pricing and covenant compliance under the Company's credit facility and as a measurement for calculation of management incentive compensation. The Company understands that although Adjusted EBITDA is frequently used by securities analysts, lenders, and others in their evaluation of companies, its calculation of Adjusted EBITDA may not be comparable to other similarly titled measures reported by other companies.
- Adjusted EBITDA as used herein is a calculation of net income plus tax provision, interest expense, interest income, foreign exchange gain(loss), other income (expense), depreciation, amortization, stock-based compensation and non-cash lease expense.
- Adjusted net income as used herein is a calculation of net income plus amortization of intangibles and excluding the tax impact of stock option and RSU settlements, and other special items.
- The Company uses non-US GAAP financial measures to provide supplemental information regarding the Company's operating performance. The non-US GAAP financial measures presented herein should not be considered in isolation from, or as a substitute to, financial measures calculated in accordance with US GAAP. Investors are cautioned that there are inherent limitations associated with the use of each non-US GAAP financial measure. In particular, non-US GAAP financial measures are not based on a comprehensive set of accounting rules or principles, and many of the adjustments to the US GAAP financial measures reflect the exclusion of items that may have a material effect on the Company's financial results calculated in accordance with US GAAP.

NET INCOME TO ADJUSTED EBITDA RECONCILIATION AND ADJUSTED NET INCOME RECONCILIATION

| | Year ended December 31, | |
|--|-------------------------|------------------|
| | 2024 US\$ 000 | 2023 US\$ 000 |
| Adjusted EBITDA reconciliation | | |
| Net income | 18,604 | 27,978 |
| Tax provision | 5,195 | 5,259 |
| Interest expense | 53 | 19 |
| Interest income | (354) | (196) |
| Foreign exchange impact | 918 | 731 |
| Other | (139) | (196) |
| Depreciation | 1,688 | 1,425 |
| Amortization | 142 | 135 |
| Stock-based compensation | 1,226 | 985 |
| Non-cash lease expense | 334 | 319 |
| Adjusted EBITDA | 27,667 | 36,459 |
| Adjusted net income | | |
| Net income | 18,604 | 27,978 |
| Amortization | 142 | 135 |
| Tax impact of stock option & RSU settlements | (156) | (183) |
| Change in uncertain tax position reserve | — | (2,193) |
| Adjusted net income | 18,590 | 25,737 |

FINANCIAL REVIEW CONTINUED

REVENUES

The Company's consolidated revenues decreased to US\$ 109.2m (2023: US\$120.7m). Company revenues consist primarily of sales from Boomed screed products, which include the S-28EZ, S-22EZ, S-15R, S-10A, SRS-6, SRS-4e and SRS-4 Laser Screed® machines, sales from Ride-on screed products, which are drive through the concrete machines that include the S-485, S-940, S-940e and S-158C Laser Screed® machines, Remanufactured machine sales, 3-D Profiler System®, SkyScreed® and Other revenues which consist primarily of revenue from sales of parts and accessories, sales of other equipment, including the Broom + Cure™, SkyStrip™, S-PS50, STS-11HC and service, training and shipping charges.

Boomed screed sales decreased to US\$ 43.1m (2023: US\$ 53.9m) primarily due to reduced volume year-over-year. Ride-on screed sales remained consistent at US\$ 20.3m (2023: US\$ 20.4m), while the 3-D Profiler Systems and Remanufactured machine sales increased slightly by 12% and 4%, respectively, due to higher volume in the case of 3-D Profiler Systems and higher prices in the case of Remanufactured machines. Two SkyScreed® machines were sold in 2024 compared to none in 2023. Other revenues decreased to US\$ 28.4m (2023: US\$ 31.1m) primarily attributable to lower sales volume of Broom + Cure™ and lower parts sales and service mainly in the US, Australia and China.

Revenue breakdown by geography

| | North America US\$ in millions | | EMEA ⁽¹⁾ US\$ in millions | | ROW ⁽²⁾ US\$ in millions | | Total US\$ in millions | | | |
|--------------------------------|-----------------------------------|------|---|------|--|------|---------------------------|----------------|-----------|----------------|
| | | | | | | | 2024 | | 2023 | |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | Net sales | % of Net sales | Net sales | % of Net sales |
| Boomed screeds ⁽³⁾ | 31.4 | 38.1 | 7.3 | 9.0 | 4.4 | 6.8 | 43.1 | 39.5% | 53.9 | 44.7% |
| Ride-on screeds ⁽⁴⁾ | 13.9 | 14.8 | 3.3 | 2.5 | 3.1 | 3.0 | 20.3 | 18.6% | 20.4 | 16.9% |
| Remanufactured machines | 5.8 | 5.5 | 1.0 | 0.9 | 0.2 | 0.3 | 7.1 | 6.5% | 6.8 | 5.6% |
| 3-D Profiler System | 8.6 | 6.5 | 0.2 | 0.4 | 0.8 | 1.7 | 9.6 | 8.8% | 8.5 | 7.0% |
| SkyScreed® | 0.7 | — | — | — | — | — | 0.7 | 0.6% | — | 0.0% |
| Other ⁽⁵⁾ | 21.7 | 23.3 | 3.4 | 3.8 | 3.3 | 3.9 | 28.4 | 26.0% | 31.1 | 25.8% |
| Total | 82.2 | 88.4 | 15.2 | 16.6 | 11.8 | 15.7 | 109.2 | 100.0% | 120.7 | 100.0% |

Notes:

1. EMEA includes Europe, Middle East, and Scandinavia.
2. ROW includes Australia, Latin America, India, China, Korea, and Southeast Asia.
3. Boomed Screeds include the S-28EZ, S-22EZ, S-15R, S-10A, SRS-6, SRS-4 and SRS-4e.
4. Ride-on Screeds include the S-940, S-940e, S-485, and S-158C.
5. Other includes parts, accessories, services and freight, as well as other equipment such as the SkyStrip™, Somero Broom + Cure™, STS-11M Topping Spreader, STS-11HC Topping Spreader, Copperhead, Somero Line Dragon®, Mini Screed C and S-PS50.

| Units by product line | 2024 | 2023 |
|-------------------------|------|------|
| Boomed screeds | 131 | 174 |
| Ride-on screeds | 160 | 168 |
| Remanufactured machines | 36 | 33 |
| 3D Profiler System | 93 | 82 |
| SkyScreed® | 2 | — |
| Other ⁽¹⁾ | 92 | 93 |
| Total | 514 | 550 |

Notes:

1. Other includes equipment SkyStrip™, Somero Broom + Cure™, STS-11M Topping Spreader, STS-11HC Topping Spreader, Copperhead, Somero Line Dragon®, Mini Screed C and S-PS50.

Sales to customers located in North America contributed 75% of total revenue (2023: 73%), sales to customers in EMEA (Europe, Middle East, and Scandinavia) contributed 14% (2023: 14%) and sales to customers in ROW (Australia, Latin America, India, China, Korea, and Southeast Asia) contributed 11% (2023: 13%).

Sales in North America were US\$ 82.2m (2023: US\$ 88.4m) down 7%, driven by lower sales volume of large-line Boomed Screeds. Sales in EMEA were US\$ 15.2m (2023: US\$ 16.6m), which is a decrease of 9% primarily due to lower sales volume of large-line Boomed Screeds. Sales in ROW were US\$11.8m (2023: US\$ 15.7m), representing a 25% decrease driven primarily by lower sales volume of large Boomed Screeds.

| Regional sales | US\$ in millions | |
|------------------------------|------------------|-------|
| | 2024 | 2023 |
| North America | 82.2 | 88.4 |
| Europe | 14.6 | 15.1 |
| Australia | 6.6 | 9.9 |
| Rest of World ⁽¹⁾ | 5.8 | 7.3 |
| Total | 109.2 | 120.7 |

Notes:

1. Includes Latin America, India, Southeast Asia, Middle East, and Korea.

GROSS PROFIT

Gross profit decreased to US\$ 58.8m (2023: US\$ 67.4m), with gross margins decreasing slightly to 54% (2023: 56%) primarily due to higher input costs and lower Boomed screed volume, partly offset by price increases.

OPERATING EXPENSES

Operating expenses for 2024 were approximately US\$ 34.5m (2023: US\$ 33.8 m), which is reflective of separation-related expenses and the increased staffing in connection with the establishment of Belgium service center in 2024, offset by lower incentive compensation and sales commissions.

DEBT

As of December 31, 2024, the Company had no outstanding debt. In August 2022, the Company updated its credit facility to a US\$ 25.0m secured revolving line of credit, with a maturity date of August 2027. The interest rate on the revolving credit line is based on the BSBY Index plus 1.25%. The Company's credit facility is secured by substantially all its business assets.

OTHER INCOME (EXPENSE)

Other income (expense) was US\$ (0.5)m of other expense in 2024, compared to US\$ (0.2)m in 2023 primarily due to a higher foreign currency exchange loss.

PROVISION FOR INCOME TAXES

The provision for income taxes was US\$ 5.2m in 2024 compared to US\$ 5.3m in 2023. Overall, Somero's effective tax rate changed to 21.8% in 2024 from 15.8% in 2023, primarily due to the removal of an uncertain tax position in 2023, previously reflected as a liability, upon IRS acceptance.

EARNINGS PER SHARE

Basic earnings per share represents income available to common stockholders divided by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustments to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate to outstanding restricted stock units.

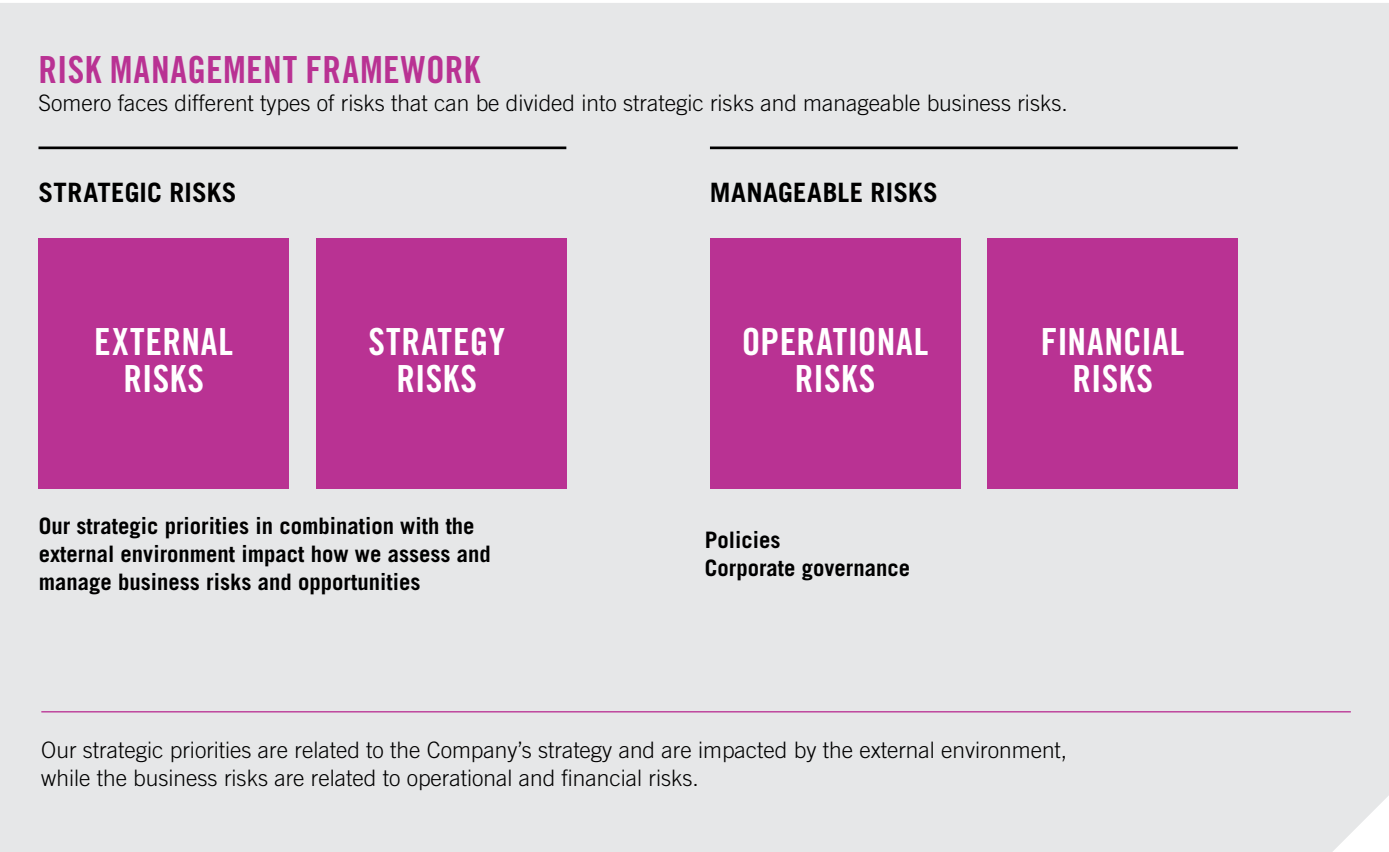
Earnings per common share has been computed based on the following:

| | Year ended December 31, | |
|---|-------------------------|------------------|
| | 2024 US\$ 000 | 2023 US\$ 000 |
| Income available to stockholders | 18,604 | 27,978 |
| Basic weighted shares outstanding | 55,126,730 | 55,735,120 |
| Net dilutive effect of restricted stock units | 632,703 | 617,553 |
| Diluted weighted average shares outstanding | 55,759,432 | 56,352,673 |

| | Per Share US\$ | Per Share US\$ |
|---------------------------------------|-------------------|-------------------|
| Basic earnings per share | 0.34 | 0.50 |
| Diluted earnings per share | 0.33 | 0.50 |
| Basic adjusted net income per share | 0.34 | 0.46 |
| Diluted adjusted net income per share | 0.33 | 0.46 |

RISK MANAGEMENT

Active risk management is essential for Somero to drive successful operations. The Company is impacted by various types of risks including strategic and external risks as well as business risks such as operational and financial risks. Somero monitors and minimizes these risks in a structured and proactive manner.



ER

External Risks

SR

Strategy Risks

OR

Operational Risks

FR

Financial Risks

The key risks and uncertainties facing the Company are considered as part of the Company's established process for identifying, evaluating and managing risk. Impacts of significant risks and their mitigation are monitored at Board meetings throughout the year.

PRINCIPAL RISKS AND UNCERTAINTIES

Flexible cost structure **OR**

A large portion of Somero's cost structure is variable and comprised mainly of costs related to raw materials and components as well as personnel and personnel-related costs. Somero aims to maintain a flexible cost structure that enables the Company to be agile and adapt quickly to fluctuations in market demand.

Data security **FR**

All business sectors are targeted by increasingly sophisticated cyber security attacks, a risk that is elevated with an increased number of employees working remotely, which started as a result of the COVID-19 pandemic. The risk of unauthorized access to or loss of data in respect to our Company, employees or suppliers could result in financial exposure or business interruption.

Bank obligations **FR**

In August 2022, the Company entered into an amended credit facility that included a US\$ 25.0m secured revolving line of credit that will mature in August 2027. The Company's credit facility is secured substantially by all its business assets.

Employee retention **OR**

The Company has a number of programs in place to retain key employees including a savings and retirement match for employees, restricted stock units (RSUs) for employees, and a compensation program to attract and retain key employees.

Economic and industry conditions **ER**

Somero's financial performance is affected by a number of factors, including the cyclical nature of the non-residential concrete construction industry, as well as the varying economic conditions of its geographic markets. Somero's primary geographic markets are North America, Europe and Australia, however, the Company has a presence in India, China (ceased operations in December 2023), Southeast Asia, the Middle East, and Latin America. Demand in these markets continues to fluctuate in response to overall economic conditions and to the amount of private sector spending on commercial construction projects.

Competitive Risk **ER**

Although Somero has maintained a dominant market position, competition poses a threat to market share and revenues. Competitors have been in the market since the beginning of Somero's journey, particularly in Europe. Having been founded by a concrete contractor and inventing the laser screed in 1986, Somero is an organization committed to its customers' success and constant innovation. This mission has resulted in unparalleled customer support and industry expertise, which is critical in a high-risk industry. From its infancy, the Company has upheld a leadership role in advancing the laser screeding industry and continues to actively participate prominently in concrete construction associations such as the American Society of Concrete Contractors (ASCC) and the American Concrete Institute (ACI), as well as a number of associations in Europe. Furthermore, since the original laser screed, the Company's product portfolio has grown to 20+ new products and product innovations and over 120 patents and patent applications. The Company remains steadfast in expanding and strengthening its market presence through efforts to spread awareness of quality, performance, and productivity, which are underscored by the Company's value proposition. We focus on fortifying our value proposition predicated on in-house expertise, commitment to innovation, and customer support capabilities, which have and will continue to enable the Company to stay ahead of the market.

Product development **SR**

Somero invests significantly in product development and introduces new products each year. Somero's product development effort is a customer-driven process focused on customer needs and value requirements. New products are meaningful contributors to the Company's growth.

Product replacement demand **SR**

The Company's financial performance is also dependent on the replacement and refurbishment of older products as they reach the end of their expected life cycles. Somero's level of replacement demand is also dependent on its ability to continue developing enhanced models with advanced technology that encourage customers to replace older machines.

Global market penetration **SR**

Somero's financial performance is impacted by its ability to successfully enter and penetrate international markets. Europe and Australia represent Somero's primary markets outside the US, and Somero has primarily focused on developing these markets with a secondary focus on Latin America, Middle East, Southeast Asia and India. Somero's primary market development activities are to promote the benefits of the Company's technology, wide-placement theory, and the demand for quality flat and level floors through education and marketing efforts in emerging markets.

Interest rates **FR**

Somero's financial performance is also linked to prevailing interest rates; see "Liquidity" and "Capital Resources" below.

Liquidity **FR**

The Company's principal liquidity needs are for payroll, lease obligations, purchases of component parts and other inventory items, payments for professional services from third-party providers, and interest and principal payments on its long-term debt. The Company's primary sources of liquidity are cash balances, cash provided by operations and its available revolving line of credit. Operations are primarily funded through existing cash. The Company maintains its cash balances in banks in each market where it has a presence. The bank accounts facilitate operational transactions with the Company's employees, customers, and vendors in-country. The Company's banks serve retail and commercial clients, with a heavier weighting on retail. Within the commercial customer base, the banks serve a range of industries. The diversification of the customer base mitigates the risk of being negatively impacted by any singular sector or vertical. Also, the Company considers the adequacy of the banks' capitalization to ensure sufficient security. The Company evaluates the allocation of its cash balances amongst the banks routinely to ensure adequate liquidity in each of its markets where it has a presence, and overall banking diversification.

Capital resources **FR**

Currently, the Company's capital expenditure plans include investment to increase operational efficiency, add engineering and customer support capabilities, and regular replacement of information technology equipment. One element of Somero's strategy is to identify and acquire businesses that have complementary products and services. Somero may finance such future acquisitions from internally generated funds, bank borrowings, public or private securities offerings or some combination of these methods. In addition, the Company may issue debt or equity securities as some or all of the consideration for such acquisitions. Somero cannot predict the level of financing that may be required in connection with future acquisitions. The amended credit facility allows management access to funding if needed to implement its strategic plan. As of December 31, 2024, the Company had not drawn any amounts under the revolving portion of its Citizens Bank Financing Agreement.

BOARD OF DIRECTORS

OUR TEAM

LAWRENCE L. HORSCH

Non-Executive Chairman of the Board

Mr. Horsch, age 90, came to Somero in October 2009 with extensive experience having served on 26 company boards, invested in 30 venture projects and conducted four corporate turnarounds. He co-founded SciMed Life Systems prior to its merger with Boston Scientific Corporation, after which he served on the Boston Scientific Corporation board. Mr. Horsch currently serves as the Chairman of Leuthold Funds Inc. and Pioneer Sales Group. Mr. Horsch has been a business consultant since 1990. He is a graduate of the University of St. Thomas, received an MBA in Finance from Northwestern University, and is a Chartered Financial Analyst.

JOHN T. (JACK) COONEY

Chief Executive Officer and Director

Mr. Cooney, age 78, joined Somero in December 1997 and has served as its Chief Executive since that time. He has been a Director of the Company since August 2005. Mr. Cooney has 33 years of experience in various senior management and sales and marketing positions. From 1995 to 1997, Mr. Cooney served as the Chief Executive Officer of Advance Machine Company, a US\$ 145m industrial equipment manufacturer located in Minneapolis, Minnesota, USA. From 1990 to 1995, he was the Vice President of Sales and Marketing, as well as the Vice President of Manufacturing, at Ganton Technologies, an aluminum die caster and precision machine business located in Wisconsin, USA. Mr. Cooney has an Associate's degree in Industrial Engineering from Central New England College and a Master of Business Administration degree from College of St. Thomas.

HOWARD E. HOHMANN

Executive Vice President of Sales Worldwide, Director

Mr. Hohmann, age 63, joined Somero in 1997 and currently serves as Executive Vice President of Sales, Marketing and Customer Service Worldwide. Mr. Hohmann also developed and managed Somero's Field Support Team and was part of its Product Development Team. Mr. Hohmann brings nearly three decades of career expertise in the concrete industry, previously working as Founder, Owner and President of one of the eastern United States' largest and most successful concrete contractors, placing all aspects of concrete floors from coast to coast. Mr. Hohmann was also a concrete flooring consultant, teaching procedures, practices and designs, alongside the inventors of the Somero Laser Screed®. Additionally, he has developed and managed sales in emerging markets, and managed both marketing and inside sales departments. Mr. Hohmann also served in the U.S Marine Corp.

VINCENZO LICAUSI**Chief Financial Officer, Secretary and Director**

Mr. LiCausi, age 51, joined Somero in September 2018 as Vice President of Finance & Controller. Mr. LiCausi has over 20 years of experience in various finance and senior management roles. Most recently, Mr. LiCausi served as Vice President of Finance of Conformis Inc., a global NASDAQ-listed orthopedics manufacture and marketer. Prior to his role at Conformis, Mr. LiCausi held a variety of senior financial roles at Cambridge Heart, C.R. Bard, Gillette, and Tropicana (PepsiCo) in addition to serving as an Audit Senior at Deloitte & Touche LLP. Mr. LiCausi earned a Bachelor of Science degree in Accountancy from Bentley University in Boston, Massachusetts.

THOMAS M. ANDERSON**Non-Executive Director**

Mr. Anderson, age 73, retired after 30 years of service as President and Chief Executive Officer of Schwing America, Inc. to become the President and Managing Partner of Schwing BioSet, Inc. He also served as the Managing Partner of Concrete Pump Repair from 1989 to 2013. Mr. Anderson participated in compensation decisions for all three companies. He is also a partner in Engineered Chassis Systems, a specialty truck manufacturer. He spent 22 years on the Board of Directors of the American Concrete Pumping Association and five years as the President of the Concrete Pump Manufacturers Association. Mr. Anderson previously served on the Board of Directors of Somero Enterprises, Inc. from 1997 to 1999 prior to the sale of the Company to Dover Corporation. Along with his affiliation with Somero, Mr. Anderson stays active in the concrete industry with an investment in Southwest Concrete Pumping based in Colorado.

ANNE ELLIS**Non-Executive Director**

Ms. Ellis, age 66, is a professional engineer with four decades of experience in the architecture, engineering, and construction industry. Ms. Ellis served as the 90th president (2013-2014) of the American Concrete Institute. She is coauthor of the "Concrete Design and Construction" section of the Standard Handbook for Civil Engineers, Fifth Edition. Ms. Ellis experience includes as a director on 16 boards, chairing four. Additionally, she serves as a strategic advisor to several engineering and environmental companies as well as construction technology start-ups. She is immediate past-chair of the Board of Directors of the National Institute of Building Sciences and serves by invitation on the Industry Leaders Council of the American Society of Civil Engineers. From 2008-2016, she served in a series of growth-enabling corporate roles including director of innovation at AECOM, a \$20 billion publicly traded, professional services and construction company with 100,000 employees operating in 154 countries. From 2004-2018, Ms. Ellis served by appointment of five U.S. cabinet secretaries to their federal advisory committee addressing matters of energy and trade policy. Ms. Ellis was inducted into the National Academy of Construction in 2019.

ROBERT SCHEUER**Non-Executive Director**

Mr. Scheuer, age 67, has served in a series of senior executive roles at Dover Corporation, a US\$ 8bn Fortune 500 company. Most recently, from 2011 to 2014, Mr. Scheuer was Chief Financial Officer and Vice President Finance of Dover Engineered Systems, a US\$ 3.8bn business segment of Dover Corporation. In this role, Mr. Scheuer provided strategic guidance to the 14 operating company CEOs/CFOs in the segment and directed over 140 global employees in FP&A, budgeting, forecasting, acquisitions, compliance, accounting and reporting. Prior to this role, from 2007 to 2011 Mr. Scheuer served as Chief Financial Officer and Vice President of Finance of Dover Industrial Products, a US\$ 2.4bn business segment of Dover Corporation and from 1998 to 2007 as Chief Financial Officer and Vice President of Finance of Dover Industries, a US\$ 1.2bn business segment of Dover Corporation. Prior to his tenure at Dover Corporation, from 1986 to 1998, Mr. Scheuer served in a variety of leadership roles at Kraft Foods, Inc., most recently as Controller of the Grocery Products Division, a US\$ 1.7bn multi-brand portfolio with six major product lines. Mr. Scheuer received a Bachelor of Science degree from DePaul University and an MBA from Northwestern University J.L. Kellogg School of Management.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the **Board**) of Somero Enterprises, Inc. (**Somero**) is committed to achieving high standards of corporate governance, integrity and business ethics. Since September 2018, all AIM quoted companies have been required to set out details of a recognised corporate governance code that the Board of Directors of such company has chosen to apply, how they comply with that code and, where it departs from its chosen corporate governance code, an explanation for doing so. Accordingly, Somero has chosen to adopt the Quoted Companies Alliance Code (the **Code**) as our guide.

The purpose of this statement is to set out in broad terms how we currently comply with the 2018 edition of the Code's 10 "Principles". It is noted that a new edition of the Code was published in November 2023 (the **2023 Code**), which will apply from the financial year ending December 31, 2025. The Board has started to consider the key changes and a review of our corporate governance framework will be carried out against the 2023 Code during 2025. The Board anticipates that it will similarly consider that Somero does not depart from any of the principles of the 2023 Code.

Somero also provides updates on its compliance with the Code in its Annual Reports; Somero's latest Annual Report is available at <https://investors.somero.com/about-somero/reports-results-and-presentations>.

QCA PRINCIPAL

OUR APPROACH

| | |
|--|--|
| <p>PRINCIPLE 1 Establish a strategy and business model which promote long-term value for shareholders.</p> | <p>The Board has established the strategy for Somero and its subsidiaries (the Group) which is to provide innovative products and solutions to concrete flooring contractors that enable them to attain the highest level of flat-floor precision at the lowest cost, and to develop and penetrate the global market for our products and services. The Board regularly reviews progress towards the Group's strategic objectives, which focus on (i) "product innovation" by pushing the construction industry forward with proprietary, innovative designs that help customers reduce manpower, increase speed & safety and deliver the highest quality concrete slabs for building owners and (ii) "international expansion" by deepening our presence in targeted markets by promoting wide-placement theory and quality concrete flooring standards, and increasing market penetration across the full range of our product portfolio.</p> <p>The Group's vision is for our innovative technology to be deployed whenever horizontal concrete slabs are placed. We remain focused on developing customer solutions that expand the market segments and applications we address and producing the highest quality results in the most efficient, cost-effective and safe manner possible.</p> <p>For further information, please refer to Somero's "<i>Business Model</i>" website page which is available at https://investors.somero.com/business-model.</p> |
| <p>PRINCIPLE 2 Seek to understand and meet shareholder needs and expectations.</p> | <p>The Board is committed to maintaining good communications with its shareholders and quickly responding to all queries received.</p> <p>All shareholders will have at least 20 working days' notice of Somero's Annual General Meeting (the AGM) at which the majority of Somero's Directors (Directors) are introduced and available for questions. Institutional investors and analysts are invited to briefings by Somero immediately after the announcement of Somero's full-year results and all shareholders are encouraged to participate in Somero's AGM. In addition, retail investors are invited to a briefing immediately following announcement of Somero's interim and full-year results and this presentation is recorded and posted to Somero's "<i>Investors</i>" website page.</p> <p>The Chairman is contactable at Somero's registered office and all of the Directors are expected to attend the AGM.</p> |
| <p>PRINCIPLE 3 Take into account wider stakeholder and social responsibilities and their implications for long-term success.</p> | <p>We recognise the importance of balancing the interests of our key stakeholders, which is essential for building a quality, long-lasting growth business. Somero takes into account wider stakeholder and social responsibilities and their implications for long-term success and strives to develop long-standing relationships with customers and shareholders alike; maintaining open lines of communication, availability to conduct site tours and a robust library of online content that demonstrates the unique value proposition of our products.</p> <p>Investors and shareholders are invited to learn more about Somero's business and relationship strategies at https://investors.somero.com/business-model/strategy. For further information, please contact Somero at https://investors.somero.com/investor-contacts.</p> |

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OUR APPROACH

PRINCIPLE 4

Embed effective risk management, considering both opportunities and threats, throughout the organisation.

Somero has a comprehensive system for reporting financial results to the Board. Somero is committed to competence and integrity of management and staff at all levels, through its values statement, comprehensive recruitment, training and appraisal programs. Somero has established controls and procedures over the security of data held on computer systems and has put in place suitable disaster recovery arrangements.

A number of the Group's key functions, including treasury and taxation, are dealt with centrally. The Chief Financial Officer reports on an as-needed basis to keep the Board updated. There is no dedicated resource for internal audit functions, which is considered sufficient for the Group due to its size. Day-to-day management of the Group's activities is delegated to senior management and is considered sufficient for the Group.

The Board recognises its responsibility for determining the nature and extent of the principal risks the Group has to take to achieve its strategic objectives and priorities, and maintains sound risk management and internal control systems to do so. The Board has overall responsibility for identifying, evaluating and managing major business risks facing the Group. It annually reviews all operating unit assessments of business risk exposure and control, including compliance assessments, and determines appropriate action, taking into account the recommendations of senior management. By identifying and managing those existing and emerging risks, the Board can focus on long-term business opportunities.

For further information, please refer to Somero's latest Annual Report which is available at <https://investors.somero.com/about-somero/reports-results-and-presentations>.

PRINCIPLE 5

Maintain the Board as a well-functioning, balanced team led by the Chair.

The Board comprises seven Directors, three of whom are Executive Directors and four of whom are Non-Executive Directors.

All independent Non-Executive Directors are selected from outside of Somero with due regard being given to their ability to contribute to the Board in light of knowledge, skills and experience required. The Board believes that the current composition is sufficient for Somero's current size (Somero is a small company) and the Board has been structured to ensure that an appropriate mix of skills and experience are in place to allow it to operate effectively and to support the development of Somero's strategy and long-term objectives.

Non-Executive Directors are expected to devote such time as is necessary for the proper performance of their duties, including in preparation for and attendance at Board, committee and shareholder meetings. When accepting their appointment, each Non-Executive Director confirms that they can allocate sufficient time to meet the expectations of their role.

The Board has established Audit, Remuneration and Nomination Committees to support the Board in the performance of its duties, and the Board believes that the members of those committees have the appropriate skills and knowledge to perform the functions delegated to them. A review of the effectiveness of each of the committees is carried out annually.

For further information in relation to the composition of the Board, please refer to Somero's "Board of Directors" website page at <https://investors.somero.com/about-somero/corporate-governance/board-of-directors>.

PRINCIPLE 6

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.

The Board regularly reviews the composition of the Board to ensure that it has an appropriate mix of skills and experience to support the Group as it develops. On joining the Board, new Directors will receive a comprehensive induction. It is expected that Directors will receive regular updates on legal, regulatory and governance issues.

The Chairman, together with the Company Secretary, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to the Directors' responsibilities as members of the Board.

The Directors have access to the advice and services of the Company Secretary and are empowered to take independent professional advice in the furtherance of their duties at Somero's expense, where necessary.

For further information, please refer to Somero's "Board of Directors" website page at <https://investors.somero.com/about-somero/corporate-governance/board-of-directors>.

QCA PRINCIPAL

OUR APPROACH

PRINCIPLE 7
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

The Board periodically conducts a formal performance evaluation and considers the balance of skills, experience, independence and knowledge of Somero as well as its diversity, including gender, how the Board works as a unit, and other factors relevant to its effectiveness.

Although the Board does not undertake annual evaluations of its performance, it considers the intervals at which such evaluations takes place sufficient to ensure continuous Board effectiveness. The Nomination Committee makes recommendations to the Board in respect of succession planning for Directors and is responsible for the process of appointment.

For further information, please refer to Somero's "*Board Committees*" website page at <https://investors.somero.com/about-somero/corporate-governance/board-committees>.

PRINCIPLE 8
Promote a corporate culture that is based on ethical values and behaviours.

A critical aspect of Somero's strategy is to be perceived as a trusted partner of our customers. In order to achieve this objective, a culture of teamwork, openness, integrity and professionalism forms a key element of our principles and values which sets out the standards of behavior we expect from all our employees. The Board firmly believes that sustained success will best be achieved by adhering to such a culture and by treating all our stakeholders fairly and with respect.

Somero remains highly selective in the quality and fit of the individuals hired and devotes a significant portion of the hiring process to identifying individuals who embody and embrace Somero's core ethical values and culture.

The Board supports and promotes the principles of equal opportunities in employment and promotes a culture where every employee is treated fairly. The Board and management conduct themselves ethically at all times and promote a culture in line with the standards set out in the employee handbook.

PRINCIPLE 9
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions, and is collectively responsible for the long-term success of Somero. The Board strives for good and effective governance, with informed and transparent decisions contributing to the delivery of the Group's strategy.

The Board is supported by the Audit, Remuneration and Nomination Committees. Terms of reference of each Board committee are set out on Somero's website at <https://investors.somero.com/about-somero/corporate-governance/board-committees>.

QCA PRINCIPAL

OUR APPROACH

PRINCIPLE 10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

We are committed to maintaining good communications with our shareholders, and have put in place appropriate processes and structures to allow that to happen. Somero communicates with its shareholders through its Annual Report, trading announcements, the AGM and in the manner set out in the commentary in relation to Principle 2.

Somero announces the result of the proxy votes cast for each resolution proposed at each general meeting of its shareholders immediately after such meeting, and a range of corporate information (including all historical Annual Reports and notices of meetings, announcements, dividend information and presentations) is made available on Somero's "Investors" website page.

The Board receives regular updates on the views of shareholders through reports from its brokers and from Directors following shareholder engagement. Analysts' notes are reviewed and discussions held with Somero's brokers to maintain a broad understanding of varying investor views.

For further information, please refer to Somero's latest Annual Report which is available at <https://investors.somero.com/about-somero/reports-results-and-presentations>. The details of all shareholder votes and their outcomes can be found on Somero's website along with historical Annual Reports and other governance-related material.

CORPORATE GOVERNANCE REPORT CONTINUED

THE AUDIT COMMITTEE

The Audit Committee comprises Messrs. Scheuer, Anderson, Horsch and Ms. Ellis, and is chaired by Mr. Scheuer. The Audit Committee determines and examines any matters relating to the financial affairs of the Company, including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It receives and reviews reports from management and the Company's auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. In addition, it ensures that the financial performance, position, and prospects of the Company are properly monitored and reported on. The Audit Committee has unrestricted access to the Company's auditors.

During the year, there were two Audit Committee meetings with full attendance.

| | Year ended December 31, 2024 US\$ 000 | Year ended December 31, 2023 US\$ 000 |
|-------|--|--|
| Audit | 143 | 129 |
| Other | — | — |

The Company also separately engages a tax advisor in matters relating to tax compliance and filings.

| | Year ended December 31, 2024 US\$ 000 | Year ended December 31, 2023 US\$ 000 |
|-------|--|--|
| Tax | 317 | 224 |
| Other | — | — |

THE REMUNERATION COMMITTEE

The Remuneration Committee comprises Messrs. Anderson, Scheuer, Horsch and Ms. Ellis, and is chaired by Mr. Anderson.

The Remuneration Committee measures the performance of the Executive Directors and key members of senior management as a prelude to recommending their annual remuneration, bonus awards and awards of share options to the Board for final determination.

The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options to employees.

During the year, there were three Remuneration Committee meetings with full attendance.

INDEPENDENT DIRECTORS

The Board regards the Non-Executive Chairman, Lawrence Horsch, and each of Thomas Anderson, Robert Scheuer and Anne Ellis as independent Non-Executive Directors.

The Board recognizes that Mr. Horsch and Mr. Anderson each has served as an independent Non-Executive Director for more than ten years. Notwithstanding, having carefully considered the individual circumstances, the Board has determined that both Mr. Horsch and Mr. Anderson continue to be independent. This determination is reviewed on an ongoing basis and is based on a range of factors in addition to tenure, including dependency on compensation as a Director of the Company, size of shareholdings, commercial relationships with the company and/or incentive pay agreements. Neither Mr. Horsch nor Mr. Anderson are dependent on the compensation as a Director of the Company, which is based on a fixed cash fee, do not have material shareholdings in the Company nor any commercial relationships either directly or indirectly with the Company, nor participate in any performance-related pay schemes and both Mr. Horsch and Mr. Anderson have the strength of character and integrity to remain unaffected by circumstances that, in theory, may compromise their independence.

THE NOMINATION COMMITTEE

The Nomination Committee comprises Messrs. Horsch, Anderson, Scheuer and Ms. Ellis, and is chaired by Mr. Horsch.

The Nomination Committee regularly reviews the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position. It also makes recommendations to the Board with regard to any changes, and gives full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future. It is responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.

The Nomination Committee supports equal opportunities in employment and advancement and opposes all forms of unlawful or unfair discrimination on the grounds of color, race, religion, age, nationality, gender or marital status. Full and fair consideration is given to applications for employment from disabled people. All our benefits are accessible to every staff member and we encourage and support personal and professional development. In addition to the three permanent committees discussed above, in accordance with applicable law and best practice the Board establishes ad hoc committees from time to time to deal with discrete matters within the Board's remit in an efficient and effective manner.

The Company adopted a code for Directors' and applicable employees' share dealings. The Directors will comply with Rule 21 of the AIM rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by Somero's applicable employees. In 2016, the Company updated its dealing code to ensure compliance with the EU Market Abuse Regulations which came into effect in 2016 and apply to companies listed on AIM.

During the year, there was one Nomination Committee meeting with full attendance.

AUDIT COMMITTEE REPORT

STATEMENT BY THE CHAIR OF THE AUDIT COMMITTEE

On behalf of the Board, I am pleased to present our Audit Committee Report for the year ended December 31, 2024.

AUDIT COMMITTEE RESPONSIBILITIES

The Audit Committee determines and examines any matters relating to the financial affairs of the Company, including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. The Committee receives and reviews reports from management and the Company's auditors relating to the interim and annual accounts, and the accounting and internal control systems in use throughout the Company. In addition, it ensures that the financial performance, position and prospects of the Company are properly monitored and reported on.

The Audit Committee acts independently to ensure the interests of shareholders are protected in relation to financial reporting, internal controls and risk management. The Audit Committee is responsible for all aspects of the financial reporting of the business and has considered not only the integrity of financial reporting, but also how the challenges faced by the Company may flow through into internal control and the procedures implemented to sufficiently mitigate risk.

The Company's risk management is a permanent focus of the Audit Committee. Details of the Company's risk management, including principal risks and uncertainties, are shown on pages 28 – 29 of this Annual Report. The Audit Committee is also responsible for monitoring the integrity of the consolidated financial statements of the Company and any formal announcements relating to the Company's financial performance, including a review of the Company's accounting policies and areas of significant judgment and uncertainty.

The Audit Committee has unrestricted access to the Company's auditors and manages the relationship between the auditors and the Company. The independence of the auditors is kept under review and is considered at least annually with the aid of a memorandum presented to the Audit Committee by the auditors.

AUDIT COMMITTEE MEMBERSHIP AND MEETINGS

The Audit Committee is chaired by me, Robert Scheuer. The other members are Messrs. Anderson, Horsch and Ms. Ellis. Each of the Committee members are Non-Executive Directors of the Company, as set out in further detail on pages 30 – 31 of this Annual Report.

At the invitation of the Audit Committee, representatives of the Company's auditors usually attend Committee meetings. The Audit Committee meets at least twice per year. The meetings were attended by the CEO and CFO, as well as the external auditor, Whitley Penn LLP (Whitley Penn). In 2024, all meetings had full attendance. Additionally, the Committee meets the external auditor twice per year without executive management present, to discuss the auditor's remit and any issues arising.

ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

Financial reporting

The Audit Committee reviewed the content of the half-year and full-year results announcement and the 2024 Annual Report & Accounts to ensure the integrity of the content, financial statements, and related disclosures. The Audit Committee does this by considering, among other things, the accounting policies and practices adopted by the Company; the application of applicable reporting standards and compliance with broader governance requirements; reports detailing the approach taken by management to the key judgment areas from the external auditors.

The Audit Committee also considers significant issues including whether the business remains a going concern and whether the Annual Report & Accounts are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

External Audit

The external auditor reports to the Audit Committee on actions taken to comply with professional and regulatory requirements. In addition, the Audit Committee considers risk areas that might inform the audit strategy, which are discussed with the external auditors.

The Audit Committee reviewed the scope of Whitley Penn's audit and reports outlining the audit work performed and conclusions reached on key risk areas and on the disclosures in the Annual Report & Accounts.

The Audit Committee agreed with the key risk areas identified by the auditors.

The Audit Committee has confirmed it is satisfied with the independence, objectivity and effectiveness of Whitley Penn as auditor and will support a resolution to retain them at the forthcoming Annual General Meeting.

No non-audit services were provided by the external auditors during the fiscal year.

Risk Review

Senior management identifies and evaluates major business risks, then designs and implements internal control systems to mitigate these risks. On an annual basis, an evaluation of the effectiveness of the Company's internal control systems is reported and discussed with the Board of Directors and the Audit Committee. The evaluation includes consideration of how internal control systems can be improved.

The Audit Committee is satisfied that the risk review process is sufficiently rigorous.

Robert Scheuer

Chair of the Audit Committee
March 11, 2025

DIRECTORS' REMUNERATION REPORT

DIRECTORS' REMUNERATION REPORT

| | Cash salary 2024 | Bonus 2024 | Bonus paid in common shares 2024 ¹ | Other Remuneration 2024 | Total 2024 | Salary 2025 | Restricted stock units held at Dec 31, 2024 |
|--------------------------------|---------------------|---------------|--|-------------------------------|---------------|------------------|--|
| Executive Directors | | | | | | | |
| J Cooney | \$609,060 | \$95,063 | – | – | \$644,670 | – ² | 88,240 |
| V LiCausi | \$334,879 | \$41,815 | – | – | \$347,353 | \$344,925 | 84,776 |
| H Hohmann | \$460,000 | \$67,278 | – | – | \$434,377 | \$473,800 | 115,741 |
| Non-Executive Directors | | | | | | | |
| L Horsch | \$166,190 | – | – | – | \$166,190 | \$171,176 | – |
| T Anderson | \$118,683 | – | – | – | \$118,683 | \$122,243 | – |
| A Ellis | \$118,683 | – | – | – | \$118,683 | \$122,243 | – |
| R Scheuer | \$118,683 | – | – | – | \$118,683 | \$122,243 | – |

Notes:

1. The amount included in the 2024 bonus that was paid in common shares in lieu of cash under the Company's Equity Bonus Plan, as described in Note 15 to the consolidated financial statements.
2. Mr. Cooney retired as Chief Executive Officer and President of Somero on March 31, 2025
3. No options were held by any Directors at December 31, 2024

REMUNERATION POLICY

The Company's policy is to provide executive remuneration packages to attract, motivate and retain Directors of the high caliber required and to reward them for enhancing value to stockholders. The performance measurement of the Executive Directors and the determination of their annual remuneration package are undertaken by the Remuneration Committee consisting solely of Non-Executive Directors. The Non-Executive Directors receive annual increases as determined by the full Board. In setting compensation, the Remuneration Committee takes account of the fairness and competitiveness of Executive and Non-Executive Compensation in comparison to peer companies and with regard to the US labor market. The Remuneration of Non-Executive Directors is approved by the Board. In framing remuneration policy, the Remuneration Committee has given consideration to the requirements of the Code.

COMPONENTS OF REMUNERATION

The components of executive remuneration are:

- basic salary, health and dental benefits, and retirement plan (100% match of executive's plan contributions up to 7% of executive's salary) determined by the Remuneration Committee and reviewed annually at the beginning of each year and when an individual changes position or responsibility;
- bonuses that are based solely on the performance and profitability of the Company. The maximum Executive Director bonus opportunity for 2024 and 2025 is 100% of salary. At the discretion of the Remuneration Committee and based upon employee election, up to 100% of annual bonus amounts can be paid in the form of common shares; and
- an award of restricted stock units to Executive Directors at 40% of salary in the first quarter of each financial year as further described later in this report.

Non-Executive Directors receive Board fees solely in cash and no equity-based remuneration.

DIRECTORS' CONTRACTS

The Company has entered into employment agreements with Executive Directors and certain members of senior management. The terms of these agreements are 12 months and include non-compete and non-disclosure provisions as well as providing for defined severance payments in the event of termination or change in control. If any existing contract of employment is breached by the Company in the event of termination, the Company would be liable to pay, as damages, an amount approximating the net loss of salary and contractual benefits for the unexpired notice period. The Remuneration Committee will seek to ensure that the Director fulfills obligations to mitigate losses and will also give consideration to phased payments where appropriate.

The letters of appointment and terms are listed in the following chart.

| Director | Class | Date of appointment | Termination date |
|------------|-------|---------------------|------------------|
| R Scheuer | I | June 14, 2022 | 2025 AGM |
| L Horsch | II | May 18, 2023 | 2026 AGM |
| T Anderson | II | May 18, 2023 | 2026 AGM |
| V LiCausi | II | May 18, 2023 | 2026 AGM |
| A Ellis | III | June 18, 2024 | 2027 AGM |
| H Hohmann | III | June 18, 2024 | 2027 AGM |

Tim Averkamp is a Class III director following his appointment on April 1, 2025 and that Tim shall hold office until the Class III directors are next up for re-election at the 2027 AGM.

EXTERNAL APPOINTMENTS

With the approval of the Remuneration Committee, Executive Directors are entitled, under their service agreements, to perform duties outside the Company and to receive fees for those duties.

BASIC SALARY

Base salaries and Non-Executive Director fees for 2024 and 2025 are set out in the table above.

The salary of our new CEO, Tim Averkamp, from his appointment on April 1, 2025 is \$500,000.

All salaries and fees were increased by 3.0% effective January 1, 2025 in line with the general salary increase across the employee base. Executive salary increases for 2024 and 2025 are in line with those of the wider workforce.

ANNUAL BONUS

In the year ended December 31, 2024, the Executive Directors earned bonuses as shown in the table above.

Bonus earned for 2024 was determined based on Company performance with variable payouts along a sliding scale ranging from 0%-200% of the on-target amount.

Bonuses paid to the Company's Executive Directors are determined entirely based on Company performance. Each year, Company performance targets are established and approved by the Remuneration Committee. At year-end, actual results are compared to established targets and the bonus earned is determined along a sliding scale that could result in no payout up to a maximum capped at two times the target bonus. For 2024, the annual established target approved by the Remuneration Committee was based on EBITDA.

In 2024, EBITDA was below the target due to factors that impacted trading in North Americas and Australia, as discussed elsewhere in this Annual Report. As a result, the bonus payout for Executive Directors was at the low end of the sliding scale, at between 12.5% and 15.6% of salary.

The annual bonus will operate in a similar manner in 2025. For 2025, the annual established target is EBITDA.

EQUITY INCENTIVES, RESTRICTED STOCK UNITS

The Remuneration Committee approves the grant of equity awards to Executive Directors under the Company's discretionary equity incentive schemes. All equity awards issued by the Company in 2024 are governed by Somero's 2020 Equity Incentive Plan (the 2020 Plan) that was adopted by the Remuneration Committee in 2019. The 2020 Plan is a ten-year plan making up to 5.6 million of equity awards (stock options, restricted stock units or common shares) available to be granted over a ten-year period until 2030, which is 10.2% of the 54.9 million shares currently issued and outstanding at March 31, 2025.

The Company's policy is to make awards of Restricted Stock Units (RSUs) to Executive Directors with a value at award of 40% of salary in the first quarter of each financial year. These awards vest after three years subject to continued employment.

The Remuneration Committee has determined that aside from service period requirements, performance criteria should not be applied to these awards. The Remuneration Committee has determined that equity awards are critical incentives necessary to attract, retain and reward key organizational talent including Executive Directors. The Company's key employees, including its Executive Directors, are US-based and awards of this structure are common practice in the USA and so using this award type is essential to achieve the objectives outlined above.

The Remuneration Committee also notes that the industry in which the Company operates is cyclical, further supporting the commercial case for making awards of this structure. The awards provide simple powerful alignment between Executive Directors and the Company and Shareholders. The Remuneration Committee notes that restricted share awards are provided for by the UK Investment Association Principles of Remuneration. These Principles note that award levels should be discounted by at least 50% to the grant level of awards with performance conditions attached to reflect higher certainty of vesting. With awards set at 40% of salary, Somero's approach is in line with guidance.

Further, this plan was implemented in part due to the significant difficulty for US-based employees to access the AIM market due to securities legislation and administration issues. This plan has resulted in a steady increase in equity ownership across Executive Directors and Key Managers. For more information, see Note 15 within the Notes to the Financial Statements.

In 2024, Executive Directors were awarded RSUs as part of their annual incentive compensation plans. In line with the approach outlined above, on March 15, 2024 the Company made awards to Howard Hohmann, Vincenzo LiCausi and Jack Cooney with a weighted fair market value at 40% of salary as detailed in the table below. A further 127,418 RSU awards to Non-Director employees on the same date. Awarded RSUs vest three years from the date of the grant and require continued employment for the period. In 2024, 180,962 RSUs were exercised and 8,502 awards were forfeited. 265,063 units were issued leaving a balance of 646,349 units as of December 31, 2024. For more information, see Note 15 within the Notes to the Financial Statements.

DIRECTORS' REMUNERATION REPORT CONTINUED

Details of Directors' restricted stock units awarded, exercised and outstanding during 2024 are set out in the table below.

DIRECTOR RESTRICTED STOCK UNITS

| Director | Grant Date | January 1, 2023 | Award (Exercise) | Canceled | December 31, 2024 | Weighted average grant date fair market value per unit (USD) | Weighted average grant date total fair market value (USD) | Vesting date | Fully vested date |
|----------------------------|------------|-----------------|------------------|----------|-------------------|--|---|--------------|-------------------|
| Executive Directors | | | | | | | | | |
| H Hohmann | 3/15/2024 | – | 56,284 | – | 56,284 | 3.37 | 164,153 | 3/14/2027 | 3/14/2027 |
| H Hohmann | 3/13/2023 | 36,334 | – | – | 36,334 | 4.30 | 156,340 | 3/13/2026 | 3/13/2026 |
| H Hohmann | 3/12/2022 | 23,123 | – | – | 23,123 | 6.44 | 148,894 | 3/11/2025 | 3/11/2025 |
| H Hohmann | 3/13/2021 | 26,572 | (26,572) | – | – | 5.09 | 135,360 | 3/12/2024 | 3/12/2024 |
| J Cooney | 3/15/2024 | – | 61,901 | – | 61,901 | 3.37 | 243,624 | 3/14/2027 | 3/14/2027 |
| J Cooney | 3/13/2023 | 53,923 | – | – | 53,923 | 4.30 | 232,024 | 3/13/2026 | 3/13/2026 |
| J Cooney | 3/12/2022 | 34,317 | – | – | 34,317 | 6.44 | 220,975 | 3/11/2025 | 3/11/2025 |
| J Cooney | 3/13/2021 | 39,426 | (39,426) | – | – | 5.09 | 200,839 | 3/12/2024 | 3/12/2024 |
| V LiCausi | 3/15/2024 | – | 40,975 | – | 40,975 | 3.37 | 133,952 | 3/14/2027 | 3/14/2027 |
| V LiCausi | 3/13/2023 | 29,649 | – | – | 29,649 | 4.30 | 127,576 | 3/13/2026 | 3/13/2026 |
| V LiCausi | 3/12/2022 | 14,152 | – | – | 14,152 | 6.44 | 91,128 | 3/11/2025 | 3/11/2025 |
| V LiCausi | 3/13/2021 | 12,208 | (12,208) | – | – | 5.09 | 62,189 | 3/12/2024 | 3/12/2024 |

Following J Cooney's retirement effective 31 March 2025, he will retain his restricted stock awards as detailed above.

DIRECTOR ORDINARY SHARES

| | Ordinary Shares | |
|------------|-----------------|-------------------|
| | January 1, 2024 | December 31, 2024 |
| L Horsch | 46,000 | 46,000 |
| J Cooney | 614,634 | 614,634 |
| H Hohmann | – | – |
| V LiCausi | 66,469 | 66,469 |
| T Anderson | – | – |
| A Ellis | 8,000 | 8,000 |
| R Scheuer | 25,000 | 25,000 |

ANNUAL GENERAL MEETING

At our AGM in June 2024, we voluntarily put our Remuneration Report to an advisory resolution as we have in previous years. 97.7% of votes were cast in favor of this resolution. In response to proxy adviser comments in 2022, we have included additional information in our Remuneration Reports on the Company's RSU policy including the rationale for making awards of this structure because the Company is US-based and specifying that awards are made at 40% of salary and so in line with guidance in the UK Investment Association Principles of Remuneration.

During 2025, the Board will consider the new QCA Corporate Governance Code which applies to the Company from the 2025 financial year.

Approved by the Board of Directors and signed on behalf of the Board.

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the year ended December 31, 2024.

ACTIVITIES

The principal activity of the Company is to design, assemble and sell equipment that automates the process of spreading and leveling large volumes of concrete for flooring and other horizontal surfaces, as well as to provide education, training and support services for its customers throughout the world. Somero's Operations and Support Offices are located in Michigan, USA with Global Headquarters and Training Facilities in Florida, USA. In addition, Somero maintains sales and service offices located in Chesterfield, UK; Melbourne, Australia; New Delhi, India; and Kampenhout, Belgium.

REVIEW OF BUSINESS

A fair review of the Company's progress for the period reported, its future prospects and a description of the principal risks and uncertainties facing the Company are set out in the Chairman's and Chief Executive Officer's Statement, the Financial Review, the Directors' Report and the Corporate Governance Report.

The Directors' Report is prepared for the members of the Company and should not be relied upon by any other party for any other purpose. The Directors' Report (including the Chairman's and Chief Executive Officer's Statement, the Financial Review and the Corporate Governance Report) contain certain forward-looking information and statements in relation to the Company's operations, economic performance and financial conditions. These statements are made by the Directors in good faith based on the information available to them at the time of the approval of this report and, although they believe that the expectations reflected in such forward-looking statements are reasonable, they should be treated with caution due to their inherent uncertainties, including both economic and business risk factors underlying such forward-looking statements or information.

RESULTS AND DIVIDENDS

The audited results for the year are set out in detail below. Dividends equal to US\$ 16.0m were paid in 2024. A 12.98 US cents per share dividend was declared for the period ending December 31, 2024, with a record date of April 11, 2025, payable on May 9, 2025.

Performance Graph

Somero stock is traded on the LSE AIM exchange and is therefore quoted in Pounds Sterling. The market price of the shares at December 31, 2024 was 325p. The range during the 2024 period of trading was 251p to 378p.



DIRECTORS' REPORT CONTINUED

Apart from the stockholdings listed below, the Company has not been notified of any stockholdings which are 3% or more of the total issued ordinary shares of the Company.

| | Amount | % holding |
|--|-----------|-----------|
| VN Capital Management | 3,651,679 | 6.66 |
| Regent Gas Holdings Limited | 3,571,916 | 6.51 |
| TrinityBridge | 3,459,498 | 6.31 |
| Mr. Brian Kelly | 3,320,859 | 6.06 |
| Hargreaves Lansdown, stockbrokers (EO) | 3,302,101 | 6.02 |
| Canaccord Genuity Wealth Management (Inst) | 3,062,500 | 5.58 |
| Chelverton Asset Management | 3,061,225 | 5.58 |
| Unicorn Asset Management | 3,016,250 | 5.50 |
| Charles Stanley | 2,839,031 | 5.18 |
| Interactive Investor (EO) | 2,709,997 | 4.94 |
| AJ Bell, stockbrokers (EO) | 1,760,946 | 3.21 |
| Interactive Brokers (EO) | 1,662,908 | 3.03 |

OTHER FINANCIAL ARRANGEMENTS

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates and foreign currency exchange rates because it may elect to fund its operations through long- and short-term borrowings and it receives revenues and incurs expenses in a variety of foreign currencies. The Company does not currently hedge against the risk of exchange rate fluctuations. A summary of the Company's primary market risk exposures follows.

FOREIGN CURRENCY RISK

The Company's foreign sales and results of operations are subject to the impact of foreign currency fluctuations because it receives revenues and incurs expenses in a variety of foreign currencies.

However, the vast majority of products and services are priced in US dollars to significantly reduce the exposure to foreign currency risk.

PAYMENTS TO CREDITORS

The Company's policy is to set payment terms when agreeing the terms of each transaction. It is the Company's general policy to pay suppliers according to the set terms, to ensure suppliers are informed of the terms of payment and to abide by these terms whenever possible.

CORPORATE SOCIAL RESPONSIBILITY

The Company believes, as a good corporate citizen, it must care about the communities it is involved in, keep the environment healthy, provide a safe and rewarding place to work and behave ethically in all its business dealings. For more information regarding Somero's approach to social responsibility, please refer to the Stakeholder Engagement section on pages 22 – 23 of this Annual Report.

DONATIONS

During the year, the Company made no political donations. Charitable donations were made in the amount of US\$ 103,500 for 2024.

For more information regarding Somero's community support, please refer to the Stakeholder Engagement section on pages 22 – 23 of this Annual Report.

EMPLOYMENT POLICIES

The Company supports equal opportunities in employment and advancement and opposes all forms of unlawful or unfair discrimination on the grounds of color, race, religion, age, nationality, gender or marital status. Full and fair consideration is given to applications for employment from disabled people. As an Equal Opportunity Employer, all our benefits are accessible to every staff member, and we encourage and support personal and professional development.

The Company has well established structures to communicate with employees at every level and to encourage their involvement regarding the Company's performance and future activities. As an organization, Somero Enterprises, Inc. prides itself on its honesty, integrity and high professional standards to deliver its services to its customers and in dealing with its staff and the public. It also demands the maintenance of these high standards in everything that it does. To this end, the Company has devised this policy and procedure in order to give encouragement and support to employees in coming forward and reporting certain types of conduct or activities that fall short of these high standards.

Under the Public Interest Disclosure Act 1998, employees who report wrongdoing of certain kinds have specific protection. The Company aims to ensure that by adherence to this policy and through proper use of the procedure, as far as possible, any such report shall be made internally in the first instance by making it possible for all employees to approach an appropriate person within the Company in order to draw their concerns to the attention of someone who has authority to act. This policy and procedure is aimed at ensuring that any employee who wishes to voice a concern regarding potential or actual wrongdoing on the part of the Company or anyone with whom the Company is associated feels sufficiently comfortable to do so.

DIRECTOR TRAINING

The Directors have continued to receive formal AIM compliance training from the initial listing on the AIM to the present date.

HEALTH AND SAFETY

The Board considers health and safety a key priority and believes it essential to conduct business to ensure the health, safety and welfare of all our employees and all other persons who may be affected by our activities. This includes members of the public, customers and trade contractors we may employ. We maintain ISO 9001 certification for quality.

ENVIRONMENT

It is our intention to take all reasonable measures to conduct our business activities so that damage to the environment and pollution is minimized. While, as an assembly operation our energy consumption is comparably low and net carbon footprint minimal, Somero continues to evaluate and invest in ways to improve energy efficiency and reduce waste in our operations. For more information regarding Somero's approach to business sustainability, please refer to the our ESG and Stakeholder Engagement sections on pages 18 – 23 of this Annual Report.

Vincenzo LiCausi

Company Secretary

March 11, 2025

REPORT OF THE INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF SOMERO ENTERPRISES, INC.

We have audited the consolidated financial statements of Somero Enterprises, Inc. (the "Company") as of and for the year ended December 31, 2024 and have issued our report thereon dated March 11, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 19, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the consolidated financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the consolidated financial statements does not relieve you or management of its respective responsibilities.

Our Responsibility as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute assurance about whether the consolidated financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Company solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and our firm, including its employees, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risk:

- Improper revenue recognition due to fraud or misapplication of revenue recognition guidance.

There were no significant findings or adjustments identified in relation to the significant risk determined during the planning phase of the audit.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Company is included in Note 2 to the consolidated financial statements. As described in Note 2 to the consolidated financial statements, during the year, the Company adopted Accounting Standards Update 2023-07, Improvements to Reportable Segment Disclosures. Accordingly, there was no cumulative effect of the accounting change on the consolidated financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the consolidated financial statements prepared by management and are based on management's current judgements. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. There are no significant accounting estimates included in the consolidated financial statements.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The consolidated financial statement disclosures are neutral, consistent and clear.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. We have not identified any significant unusual transactions.

Identified or Suspected Fraud

We have not identified any fraud or suspected fraud.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For Purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial and communicate them to the appropriate level of management. Further, professional standards requires us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the consolidated financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. The attached schedule (Exhibit B) summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule (Exhibit A) summarizes material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected, by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Company's consolidated financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 11, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters, other than communication with Grant Thornton who assists with the income tax provision.

Other Significant Matters, Finding, or Issues

In the normal course of our professional association with the Company, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Company's auditors.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the Company's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such information. However, in accordance with such standards, we have read the information and considering whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the consolidated financial statements. We did not identify any inconsistencies during our review.

Our responsibility also includes communicating to any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation is materially inconsistent with the information, or manner of its presentation, appearing in the consolidated financial statements.

This report is intended solely for the information and use of the Board of Directors and Management of the Company and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Fort Worth, Texas
March 11, 2025

CONSOLIDATED BALANCE SHEETS

As of December 31, 2024 and 2023

| | As of December 31, | |
|---|--------------------|------------------|
| | 2024 US\$ 000 | 2023 US\$ 000 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | 29,486 | 33,311 |
| Accounts receivable – net | 9,251 | 8,835 |
| Inventories – net | 18,816 | 19,375 |
| Prepaid expenses and other assets | 2,576 | 2,388 |
| Income tax receivable | 1,286 | – |
| Total current assets | 61,415 | 63,909 |
| Accounts receivable, less allowance for credit losses of US\$ 1,194 in 2024 and US\$ 1,862 in 2023 | 567 | 431 |
| Property, plant, and equipment – net | 26,763 | 25,928 |
| Financing lease right-of-use assets – net | 546 | 346 |
| Operating lease right-of-use assets – net | 2,224 | 1,606 |
| Intangible assets – net | 978 | 1,120 |
| Goodwill | 3,294 | 3,294 |
| Deferred tax asset | 1,982 | 1,674 |
| Other assets | 347 | 242 |
| Total assets | 98,116 | 98,550 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | 3,544 | 3,410 |
| Accrued expenses | 7,409 | 7,768 |
| Financing lease liability – current | 229 | 199 |
| Operating lease liability – current | 332 | 342 |
| Income tax payable | – | 2,099 |
| Total current liabilities | 11,514 | 13,818 |
| Financing lease liability – long-term | 247 | 110 |
| Operating lease liability – long-term | 1,967 | 1,305 |
| Other liabilities | 87 | 82 |
| Total liabilities | 13,815 | 15,315 |
| Stockholders' equity | | |
| Preferred stock, US\$.001 par value, 50,000,000 shares authorized, no shares issued and outstanding | – | – |
| Common stock, US\$.001 par value, 80,000,000 shares authorized, 54,908,160 and 55,550,697 shares issued and 54,908,160 and 55,499,368 shares outstanding at December 31, 2024 and 2023, respectively | 26 | 26 |
| Less: treasury stock, 0 shares as of December 31, 2024 and 51,329 shares as of December 31, 2023 at cost | – | (213) |
| Additional paid in capital | 10,947 | 13,253 |
| Retained earnings | 75,334 | 72,498 |
| Other comprehensive loss | (2,006) | (2,329) |
| Total stockholders' equity | 84,301 | 83,235 |
| Total liabilities and stockholders' equity | 98,116 | 98,550 |

See Notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2024 and 2023

| | Year ended December 31, | |
|---|--|--|
| | 2024 US\$ 000 except share and per share data | 2023 US\$ 000 except share and per share data |
| Revenue | 109,154 | 120,699 |
| Cost of sales | 50,350 | 53,343 |
| Gross profit | 58,804 | 67,356 |
| Operating expenses | | |
| Sales, marketing and customer support | 14,723 | 14,742 |
| Engineering and product development | 2,691 | 2,679 |
| General and administrative | 17,113 | 16,340 |
| Total operating expenses | 34,527 | 33,761 |
| Operating income | 24,277 | 33,595 |
| Other income (expense) | | |
| Interest expense | (53) | (19) |
| Interest income | 354 | 196 |
| Foreign exchange impact | (918) | (731) |
| Other | 139 | 196 |
| Income before income taxes | 23,799 | 33,237 |
| Provision for income taxes | 5,195 | 5,259 |
| Net income | 18,604 | 27,978 |
| Other comprehensive income | | |
| Cumulative translation adjustment | 323 | (518) |
| Comprehensive income | 18,927 | 27,460 |
| Earnings per common share | | |
| Earnings per share – basic | 0.34 | 0.50 |
| Earnings per share – diluted | 0.33 | 0.50 |
| Weighted average number of common shares outstanding | | |
| Basic | 55,126,730 | 55,735,120 |
| Diluted | 55,759,432 | 56,352,673 |

See Notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2024 and 2023

| | Common stock | | Additional paid-in capital US\$ 000 | Treasury stock | | Retained earnings US\$ 000 | Other Comprehensive income (loss) US\$ 000 | Total Stockholders' equity US\$ 000 |
|------------------------------------|-------------------|--------------------|---|----------------|--------------------|----------------------------------|---|--|
| | Shares | Amount US\$ 000 | | Shares | Amount US\$ 000 | | | |
| Balance – January 1, 2023 | 55,818,357 | 26 | 14,625 | 5,500 | (39) | 64,325 | (1,811) | 77,126 |
| Cumulative translation adjustment | – | – | – | – | – | – | (518) | (518) |
| Net income | – | – | – | – | – | 27,978 | – | 27,978 |
| Stock-based compensation | – | – | 985 | – | – | – | – | 985 |
| Dividend | – | – | – | – | – | (19,805) | – | (19,805) |
| Treasury stock | (327,806) | – | (1,202) | (327,806) | 1,202 | – | – | – |
| RSUs settled for cash | – | – | (1,155) | – | – | – | – | (1,155) |
| Share buyback | – | – | – | 373,635 | (1,376) | – | – | (1,376) |
| New shares issued | 60,146 | – | – | – | – | – | – | – |
| Balance – December 31, 2023 | 55,550,697 | 26 | 13,253 | 51,329 | (213) | 72,498 | (2,329) | 83,235 |
| Cumulative translation adjustment | – | – | – | – | – | – | 323 | 323 |
| Net income | – | – | – | – | – | 18,604 | – | 18,604 |
| Stock-based compensation | – | – | 1,225 | – | – | – | – | 1,225 |
| Dividend | – | – | – | – | – | (15,768) | – | (15,768) |
| Treasury stock | (660,247) | – | (2,817) | (660,247) | 2,817 | – | – | – |
| RSUs settled for cash | – | – | (714) | – | – | – | – | (714) |
| Share buyback | – | – | – | 608,918 | (2,604) | – | – | (2,604) |
| New shares issued | 17,710 | – | – | – | – | – | – | – |
| Balance – December 31, 2024 | 54,908,160 | 26 | 10,947 | – | – | 75,334 | (2,006) | 84,301 |

See Notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2024 and 2023

| | Year ended December 31, | |
|---|-------------------------|------------------|
| | 2024 US\$ 000 | 2023 US\$ 000 |
| Cash flows from operating activities: | | |
| Net income | 18,604 | 27,978 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Deferred taxes | (308) | (510) |
| Depreciation and amortization | 1,830 | 1,560 |
| Non-cash lease expense | 334 | 319 |
| Credit loss expense (recoveries) | (633) | (4) |
| Stock-based compensation | 1,225 | 985 |
| Gain/Loss on disposal of property and equipment | (74) | 40 |
| Working capital changes: | | |
| Accounts receivable | 81 | 1,468 |
| Inventories | 559 | (526) |
| Prepaid expenses and other assets | (188) | (366) |
| Other assets | (106) | (7) |
| Accounts payable, accrued expenses and other liabilities | (312) | (9,292) |
| Income taxes receivable/payable | (3,385) | 2,801 |
| Net cash provided by operating activities | 17,627 | 24,446 |
| Cash flows from investing activities: | | |
| Property and equipment purchases | (2,449) | (1,740) |
| Net cash used in investing activities | (2,449) | (1,740) |
| Cash flows from financing activities: | | |
| Payment of dividend | (15,768) | (19,805) |
| RSUs settled for cash | (714) | (1,155) |
| Stock buyback | (2,604) | (1,376) |
| Payments under financing leases | (240) | (240) |
| Net cash used in financing activities | (19,326) | (22,576) |
| Effect of exchange rates on cash and cash equivalents | 323 | (518) |
| Net decrease in cash and cash equivalents | (3,825) | (388) |
| Cash and cash equivalents: | | |
| Beginning of year | 33,311 | 33,699 |
| End of year | 29,486 | 33,311 |

See Notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2024 and 2023

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Nature of business

Somero Enterprises, Inc. (the Company or Somero) designs, assembles, remanufactures, sells and distributes concrete levelling, contouring and placing equipment, related parts and accessories, and training services worldwide. Somero's Operations and Support Offices are located in Michigan, USA with Global Headquarters and Training Facilities in Florida, USA. Sales and service offices are located in Chesterfield, England; Kampenhout, Belgium; New Delhi, India; and Melbourne, Australia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) using the accrual basis of accounting.

Principles of consolidation

The consolidated financial statements include the accounts of Somero Enterprises, Inc. and its subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash includes cash on hand, cash in banks, and temporary investments with a maturity of three months or less when purchased. The Company maintains deposits in several financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Company has not experienced any losses related to amounts in excess of FDIC limits.

Restricted Cash

Restricted cash of approximately US\$ 265,000 and US\$ 251,000 is included in "Cash and cash equivalents" on the consolidated balance sheets as of December 31, 2024, and 2023, respectively. This represents cash deposited by the Company into a guaranteed deposit account and designated as collateral for the building lease in Australia in accordance with the lease agreement.

Accounts receivable and allowances for credit losses

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. Accounts receivable are recorded at the invoiced amount and do not typically bear interest. The Company regularly monitors and assesses its risk of not collecting amounts owed by customers. The Company operates in the concrete leveling industry and its accounts receivables are primarily derived from customers servicing that industry. At each balance sheet date, the Company recognizes an expected allowance for credit losses. In addition, at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. If applicable, accounts receivable are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible.

The Company's accounts receivable are derived from revenue earned from a diverse group of customers. The Company performs credit evaluations of its commercial customers and maintains an allowance for credit losses based upon the expected ability to collect accounts receivable. Allowances, if necessary, are established for amounts determined to be uncollectible based on estimate of future losses.

The allowance estimate is derived from a review of the Company's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Company's portfolio segment has remained constant since the Company's inception.

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized as an offset to credit loss expense in the year of recovery, in accordance with the Company's accounting policy election.

As of December 31, 2024 and 2023, the allowance for credit losses was approximately US\$ 1,194,000 and US\$ 1,862,000, respectively. Credit loss expense (recovery) was US\$ (633,000) and US\$ (4,000) in 2024 and 2023, respectively. The opening balance of accounts receivable at January 1, 2023 was US\$ 10,729,000, which includes US\$ 414,000 of non-current accounts receivable.

Inventories

Inventories are stated using the first in, first out (FIFO) method at the lower of cost or net realizable value (NRV). Provision for potentially obsolete or slow-moving inventory is made based on management's analysis of inventory levels and future sales forecasts. As of December 31, 2024 and 2023, the provision for obsolete and slow-moving inventory was US\$ 1,163,000 and US\$ 707,000, respectively.

Intangible assets and goodwill

Intangible assets consist primarily of customer relationships, trademarks and patents, and are carried at their fair value when acquired, less accumulated amortization. Intangible assets are amortized using the straight-line method over a period of 3 to 17 years, which is their estimated period of economic benefit.

Goodwill is not amortized but is subject to impairment tests on an annual basis, and the Company has chosen December 31 as its periodic assessment date. Goodwill represents the excess cost of the business combination over the Company's interest in the fair value of the identifiable assets and liabilities. Goodwill arose from the Company's prior sale from Dover Corporation to The Gores Group in 2005 and the purchase of the Line Dragon, LLC business assets in January 2019.

Revenue recognition

The Company generates revenue by selling equipment, parts, accessories, service agreements and training. The Company recognizes revenue for equipment, parts and accessories when it satisfies the performance obligation of transferring the control to the customer. For product sales where shipping terms are FOB shipping point, revenue is recognized at a point in time upon shipment. For arrangements which include FOB destination shipping terms, revenue is recognized at a point in time upon delivery to the customer. The Company recognizes the revenue for service agreements and training at a point in time once the service or training has occurred.

As of December 31, 2024 and 2023 there are US\$ 520,000 and US\$ 600,000, respectively, of extended service agreement liabilities which are included in accrued expenses in the accompanying consolidated balance sheets. The opening balance of extended service agreement liabilities at January 1, 2023 was US\$ 582,000. During the years ended December 31, 2024 and 2023, US\$ 489,000 and US\$ 451,000, respectively, of revenue was recognized related to the amounts recorded as liabilities on the consolidated balance sheets in the prior year (deferred contract revenue).

As of December 31, 2024 and 2023, there are US\$ 505,000 and US\$ 1,635,000, respectively, in customer deposit liabilities for advance payments received during the period for contracts expected the following period. These liabilities are included in the accrued expenses in the accompanying consolidated balance sheets. The opening balance of customer deposit liabilities for advance payments received at January 1, 2023 was US\$ 2,180,000. For the years ended December 31, 2024 and 2023, there are no significant contract costs such as sales commissions or costs deferred. Interest income on financing arrangements is recognized as interest accrues, using the effective interest method.

Warranty liability

The Company provides warranties on all equipment sales ranging from 60 days to three years, depending on the product. Warranty liabilities are estimated net of the warranty passed through to the Company from vendors, based on specific identification of issues and historical experience and is recorded in accrued expenses in the accompanying consolidated balance sheets.

| | US\$ 000 |
|-----------------------------------|----------------|
| Balance, January 1, 2024 | (1,290) |
| Warranty charges | 497 |
| Accruals | (394) |
| Balance, December 31, 2024 | (1,187) |

| | US\$ 000 |
|-----------------------------------|----------------|
| Balance, January 1, 2023 | (1,448) |
| Warranty charges | 986 |
| Accruals | (828) |
| Balance, December 31, 2023 | (1,290) |

Property, plant, and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and amortization. Land is not depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is 31.5 to 40 years for buildings (depending on the nature of the building), 15 years for improvements, and 3 to 10 years for machinery and equipment.

Income taxes

The Company determines income taxes using the asset and liability approach. Tax laws require items to be included in tax filings at different times than the items reflected in the consolidated financial statements. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance, if necessary, to the extent that it appears more likely than not that such assets will be unrecoverable. The Company evaluates tax positions that have been taken or are expected to be taken in its tax returns and records a liability for uncertain tax positions. This involves a two-step approach to recognizing and measuring uncertain tax positions. First, tax positions are recognized if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, the tax position is measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Stock-based compensation

The Company recognizes the cost of employee services received in exchange for an award of equity instruments in the consolidated financial statements over the period the employee is required to perform the services in exchange for the award (presumptively the vesting period). The Company measures the cost of employee services in exchange for an award based on the grant-date fair value of the award, which is the stock price on the grant date multiplied by the number of shares. Compensation expense related to stock-based payments was US\$ 1,226,000 and US\$ 985,000 for the years ended December 31, 2024 and 2023, respectively. In addition, the Company settled US\$ 714,000 and US\$ 1,155,000 in restricted stock units for cash during the years ended December 31, 2024 and 2023, respectively.

Transactions in and translation of foreign currency

The functional currency for the Company's subsidiaries outside the United States is the applicable local currency. The preparation of the consolidated financial statements requires the translation of these financial statements to USD. Balance sheet amounts are translated at period-end exchange rates and the statement of comprehensive income accounts are translated at average rates. The resulting gains or losses are charged directly to accumulated other comprehensive income. The Company is also exposed to market risks related to fluctuations in foreign exchange rates because some sales transactions, and some assets and liabilities of its foreign subsidiaries, are denominated in foreign currencies other than the designated functional currency. Gains and losses from transactions are included as foreign exchange impact in the accompanying consolidated statements of comprehensive income.

Comprehensive income

Comprehensive income is the combination of reported net income and other comprehensive income (OCI). OCI is changes in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources not included in net income.

Earnings per share

Basic earnings per share represents income available to common stockholders divided by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued using the treasury stock method. Potential common shares that may be issued by the Company relate to outstanding stock options and restricted stock units.

Earnings per common share have been computed based on the following:

| | Year ended December 31, | |
|---|-------------------------|------------------|
| | 2024 US\$ 000 | 2023 US\$ 000 |
| Income available to stockholders | 18,604 | 27,978 |
| Basic weighted shares outstanding | 55,126,730 | 55,735,120 |
| Net dilutive effect of stock options and restricted stock units | 632,702 | 617,553 |
| Diluted weighted average shares outstanding | 55,759,432 | 56,352,673 |

Fair value

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, and other current assets and liabilities approximate fair value because of the short-term nature of these instruments.

Recently Adopted Accounting Guidance

In November 2023, the FASB issued ASU 2023-07, "Improvements to Reportable Segment Disclosures (Topic 280)". ASU 2023-07 modifies reportable segment disclosure requirements, primarily through enhanced disclosures about segment expenses categorized as a significant or regularly provided to the Chief Operating Decision Making (CODM). In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, and contain other disclosure requirements. The purpose of the amendments is to enable investors to better understand an entity's overall performance and assess potential future cash flows. This ASU is effective for annual periods beginning after December 15, 2023, and interim periods within annual periods beginning after December 15, 2024, with early adoption permitted. The Company currently operates as one reportable segment and does not believe there will be a material impact on the related disclosures in the consolidated financial statements.

3. INVENTORIES

Inventories consisted of the following:

| | Year ended December 31, | |
|------------------------------------|-------------------------|-------------------|
| | 2024 US \$ 000 | 2023 US \$ 000 |
| Raw material | 10,229 | 10,607 |
| Finished goods and work in process | 5,974 | 5,161 |
| Remanufactured | 3,607 | 2,613 |
| Total | 18,816 | 19,375 |

4. GOODWILL AND INTANGIBLE ASSETS

Goodwill represents the excess of the cost of a business combination over the fair value of the net assets acquired. The Company is required to test goodwill for impairment, at the reporting unit level, annually and when events or circumstances indicate the fair value of a unit may be below its carrying value. The results of the qualitative assessment indicated that goodwill was not impaired as of December 31, 2024 and 2023, and that the value of patents and other intangibles were not impaired as of December 31, 2024 and 2023. The following table reflects other intangible assets:

| | | | Year ended December 31, | |
|--------------------------|------------------------------|----------|-------------------------|------------------|
| | | | 2024 US\$ 000 | 2023 US\$ 000 |
| Capitalized cost | Patents Intangible Assets | 12 years | 19,247 | 19,247 |
| | | | 7,434 | 7,434 |
| | | | 26,681 | 26,681 |
| Accumulated amortization | Patents Intangible Assets | 12 years | 18,819 | 18,770 |
| | | | 6,884 | 6,791 |
| | | | 25,703 | 25,559 |
| Net carrying costs | Patents Intangible Assets | 12 years | 428 | 477 |
| | | | 550 | 643 |
| | | | 978 | 1,120 |

Amortization expense associated with the intangible assets in each of the years ended December 31, 2024 and 2023 was approximately US\$ 142,000 and US\$ 135,000, respectively. The amortization expense for each of the next five years will be US\$ 142,000 and the remaining amortization thereafter will be US\$ 268,000.

5. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following:

| | Year ended December 31, | |
|---|-------------------------|------------------|
| | 2024 US\$ 000 | 2023 US\$ 000 |
| Land | 864 | 864 |
| Building and improvements | 26,291 | 25,465 |
| Machinery and equipment | 9,794 | 8,487 |
| | 36,949 | 34,816 |
| Less: accumulated depreciation and amortization | (10,186) | (8,888) |
| | 26,763 | 25,928 |

Depreciation expense for the years ended December 31, 2024 and 2023 was approximately US\$ 1,688,000 and US\$ 1,425,000, respectively.

6. LINE OF CREDIT

In August 2022, the Company updated its credit facility to a US\$ 25.0m secured revolving line of credit, with a maturity date of August 2027. The interest rate on the revolving credit line is based on the BSBY Index plus 1.25%. The Company's credit facility is secured by substantially all of its business assets. No amounts were drawn under the secured revolving line of credit in the years ended December 31, 2024 or 2023.

Interest expense for the years ended December 31, 2024 and 2023 was approximately US\$ 53,000 and US\$ 19,000, respectively, and relates primarily to interest costs on leased vehicles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. RETIREMENT PROGRAM

The Company has a savings and retirement plan for its employees, which is intended to qualify under Section 401(k) of the US Internal Revenue Code (IRC). This savings and retirement plan provides for voluntary contributions by participating employees, not to exceed maximum limits set forth by the IRC. The Company's matching contributions vest immediately. The Company contributed approximately US\$ 1,022,000 to the savings and retirement plan during 2024 and contributed US\$ 1,039,000 during 2023.

8. LEASES

The Company leases property, vehicles, and equipment under leases accounted for as operating and finance leases. The leases have remaining lease terms of less than 1 year to 8 years, some of which include options for renewal. The exercise of these renewal options is at the sole discretion of the Company. The right-of-use assets and related liabilities presented on the consolidated balance sheet, reflect management's current expectations regarding the exercise of renewal options. Some of our building leases have additional fees related to maintenance costs, property taxes, etc. The Company has elected the practical expedient not to separate lease and non-lease components for all of our building leases. In addition, the Company has elected the short-term lease practical expedient related to leases of various equipment which the lease term is less than 12 months. The components for lease expense were as follows as of December 31, 2024 & December 31, 2023, respectively:

| | 2024 US\$ 000 |
|-------------------------------------|------------------|
| Operating lease cost | 688 |
| Finance lease cost: | |
| Amortization of right-of-use assets | 396 |
| Interest on lease liabilities | 42 |
| Total finance lease cost | 438 |

| | 2023 US\$ 000 |
|-------------------------------------|------------------|
| Operating lease cost | 407 |
| Finance lease cost: | |
| Amortization of right-of-use assets | 319 |
| Interest on lease liabilities | 17 |
| Total finance lease cost | 336 |

As of December 31, 2024, the weighted average discount rate for finance and operating leases was 8.5% and 6.0%, respectively, and the weighted average remaining lease term for finance and operating leases was 2.4 years and 6.7 years, respectively.

Maturities of lease liabilities are as follows for the years ended:

| | Operating Leases US\$ 000 | Finance Leases US\$ 000 |
|-----------------------|------------------------------|----------------------------|
| 2025 | 469 | 265 |
| 2026 | 469 | 147 |
| 2027 | 469 | 91 |
| 2028 | 347 | 31 |
| 2029 | 259 | – |
| Thereafter | 781 | – |
| Total | 2,794 | 534 |
| Less imputed interest | (495) | (58) |
| Total | 2,299 | 476 |

9. SUPPLEMENTAL CASH FLOW AND NON-CASH FINANCING DISCLOSURES

| | Year ended December 31, | |
|--|-------------------------|------------------|
| | 2024 US\$ 000 | 2023 US\$ 000 |
| Cash paid for interest | 69 | 19 |
| Cash paid for taxes | 8,158 | 4,858 |
| Finance lease liabilities arising from obtaining right-of-use assets | 168 | 35 |
| Operating lease liabilities arising from obtaining right-of-use assets | 652 | 544 |

10. BUSINESS AND CREDIT CONCENTRATION

The Company's line of business could be significantly impacted by, among other things, the state of the general economy, the Company's ability to continue to protect its intellectual property rights, and the potential future growth of competitors. Any of the foregoing may significantly affect management's estimates and the Company's performance. At December 31, 2024 and 2023, the Company had three customers which represented 19% and three customers which represented 32% of total accounts receivable, respectively.

11. ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses for accounts receivable and the related activity as of December 31:

| | 2024 US\$ 000 | 2023 US\$ 000 |
|-----------------------------|------------------|------------------|
| Beginning balance | 1,862 | 1,780 |
| Provision for credit losses | — | 9 |
| Write-offs | (35) | (52) |
| Recoveries | (633) | 125 |
| Ending balance | 1,194 | 1,862 |

12. COMMITMENTS AND CONTINGENCIES

The Company has entered into employment agreements with certain members of senior management. The terms of these are for renewable one-year periods and include non-compete and non-disclosure provisions as well as provide for defined severance payments in the event of termination or change in control.

The Company is also subject to various unresolved legal actions which arise in the normal course of its business. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible losses, the Company believes these unresolved legal actions will not have a material effect on its consolidated financial statements.

13. INCOME TAXES

| | Year ended December 31, | |
|----------------------------------|-------------------------|------------------|
| | 2024 US\$ 000 | 2023 US\$ 000 |
| Current income tax | | |
| Federal | 4,382 | 4,133 |
| State | 1,079 | 1,286 |
| Foreign | 42 | 349 |
| Total current income tax expense | 5,503 | 5,768 |
| Deferred tax benefit | | |
| Federal | 427 | (474) |
| State | (20) | (35) |
| Foreign | (715) | — |
| Total deferred tax benefit | (308) | (509) |
| Total tax provision | 5,195 | 5,259 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. INCOME TAXES CONTINUED

As of December 31, 2024 and 2023, the effects of temporary differences that give rise to the deferred tax assets are as follows:

| | Year ended December 31, | |
|--------------------------------|-------------------------|------------------|
| | 2024 US\$ 000 | 2023 US\$ 000 |
| Deferred tax assets | | |
| Allowance for credit provision | 109 | 317 |
| Inventory | 287 | 283 |
| Accrued expenses | 287 | 405 |
| UK intangibles | 142 | 146 |
| Stock compensation | 451 | 377 |
| Foreign NOL | 1,352 | 454 |
| Lease liability | 21 | 26 |
| Capital research expenditures | 1,612 | 1,155 |
| Other | 530 | 521 |
| Total deferred tax assets | 4,791 | 3,684 |
| Deferred tax liabilities | | |
| Prepaid insurance | (186) | (158) |
| Fixed assets | (1,448) | (859) |
| Intangible assets | (526) | (502) |
| Right-of-use asset | (13) | (37) |
| Total deferred tax liabilities | (2,173) | (1,556) |
| Valuation allowance | (636) | (454) |
| Total net deferred tax asset | 1,982 | 1,674 |

A reconciliation of the income tax provision with the amount of tax computed by applying the U.S. federal statutory rate to pretax income follows:

| | Year ended December 31, | |
|---|-------------------------|------------------|
| | 2024 US\$ 000 | 2023 US\$ 000 |
| Consolidated income before tax | 23,799 | 33,237 |
| Statutory rate | 21% | 21% |
| Statutory tax expense | 4,998 | 6,980 |
| State taxes | 813 | 909 |
| Foreign taxes | (314) | 245 |
| Permanent differences due to stock options and RSUs | 38 | (33) |
| Permanent differences due to other items | 9 | 152 |
| Foreign derived intangible income | (464) | (624) |
| Change in valuation allowance | 182 | 69 |
| Change in reserve | — | (2,193) |
| Tax credits | (197) | (182) |
| Other | 130 | (64) |
| Tax expense | 5,195 | 5,259 |

As of December 31, 2024, the Company has US\$ 4.93m of foreign loss carryforwards with an indefinite carryforward life. Management assesses the recoverability of our deferred tax assets as of the end of each quarter, weighing all positive and negative evidence, and is required to establish and maintain a valuation allowance for these assets if we determine that it is more likely than not that some or all of the deferred tax assets will not be realized. The weight given to the evidence is commensurate with the extent to which the evidence can be objectively verified. If negative evidence exists, positive evidence is necessary to support the conclusion that a valuation allowance is not needed. As of December 31, 2024 management has determined that a valuation allowance is currently needed against a portion of the Company's net operating loss carryforward deferred tax assets.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company has open years for the tax year 2021 and forward at the end of December 31, 2024. The Company has open years related to United Kingdom filings for the tax year 2020, and open years related to Italian filings for tax years 2019 forward.

The Company adopted the accounting standard for uncertain tax positions, ASC 740-10, in accordance with US GAAP, and as required by the standard, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

Increases or decreases to the unrecognized tax benefits could result from management's belief that a position can or cannot be sustained upon examination based on subsequent information or potential lapse of the applicable statute of limitation for certain tax positions.

| | |
|--|---------|
| Unrecognized tax benefits – January 1, 2023 | 1,450 |
| Increases from positions taken during prior periods | – |
| Increases from positions taken during current period | – |
| Settled positions | (1,450) |
| Lapse of statute of limitations | – |
| Unrecognized tax benefits – December 31, 2023 | – |

No unrecognized tax benefits for the year ended December 31, 2024.

During the tax year ended December 31, 2023, the Company settled all uncertain tax position that existed as of December 31, 2022 and, as a result, removed the unrecognized tax reserve classed as "Other Long-Term Liabilities" from the Company's Consolidated Balance Sheet. No further uncertain tax positions have been identified as of December 31, 2024.

14. REVENUES BY GEOGRAPHIC REGION AND SEGMENT REPORTING

The Company sells its products to customers throughout the world. The Company operates as a single reportable segment for financial reporting purposes. While revenue is disaggregated by geography, the business is managed and evaluated as a single operating segment by the Chief Operating Decision Maker (CODM). This is because all geographic regions provide the same types of products and services to a similar customer base, and the CODM assesses financial performance and allocates resources on a consolidated basis rather than by individual geography.

In making key decisions and allocating resources, the CODM primarily evaluates the Company's consolidated profitability, with a focus on EBITDA, as this metric provides a comprehensive view of operational performance. Revenue by geography is reviewed to identify trends, but profitability remains the primary measure of performance.

The accounting policies are the same in all geographies as described in the summary of significant accounting policies. The chief operating decision maker assesses performance and decides how to allocate resources based on profitability reported on the income statement.

The revenue breakdown by geography is as follows:

| US\$ 000 | North America | | Europe | | Australia | | ROW ⁽¹⁾ | | Total | |
|--------------------------------|---------------|--------|--------|--------|-----------|-------|--------------------|-------|---------|---------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Boomed screeds ⁽²⁾ | 31,374 | 38,131 | 7,171 | 8,296 | 2,738 | 5,171 | 1,803 | 2,343 | 43,086 | 53,941 |
| Ride-on screeds ⁽³⁾ | 13,927 | 14,842 | 3,279 | 2,518 | 1,513 | 1,341 | 1,622 | 1,660 | 20,341 | 20,361 |
| Remanufactured machines | 5,829 | 5,494 | 1,034 | 626 | – | 63 | 189 | 571 | 7,052 | 6,754 |
| 3-D Profiler System | 8,576 | 6,540 | 228 | 350 | 792 | 1,431 | – | 219 | 9,596 | 8,540 |
| SkyScreed® | 730 | – | – | – | – | – | – | – | 730 | – |
| Other ⁽⁴⁾ | 21,788 | 23,367 | 2,893 | 3,340 | 1,509 | 1,859 | 2,159 | 2,537 | 28,349 | 31,103 |
| Total | 82,224 | 88,374 | 14,605 | 15,130 | 6,552 | 9,865 | 5,773 | 7,330 | 109,154 | 120,699 |

1. ROW includes Latin America, India, China, Middle East, Korea, and Southeast Asia.

2. Boomed Screeds include the S-28EZ, S-22EZ, S-15R, S-10A, SRS-6, SRS-4 and SRS-4e.

3. Ride-on Screeds include the S-940, S-940e, S-485, and S-158C.

4. Other includes parts, accessories, services and freight, as well as other equipment such as the SkyStrip™, Somero Broom + Cure™, STS-11M Topping Spreader, STS-11HC Topping Spreader, Copperhead, Somero Line Dragon®, Mini Screed C and S-PS50.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15. STOCK-BASED COMPENSATION

The Company has stock-based compensation plans which are described below. The compensation cost that has been charged against income for the plans was approximately US\$ 1,225,000 and US\$ 985,000 for the years ended December 31, 2024 and 2023, respectively. The income tax effect recognized for stock-based compensation was US\$ 0.2m and US\$ 0.2m, respectively, for the years ended December 31, 2024 and 2023.

Restricted Stock Units

The Company regularly issues restricted stock units to employees subject to Board approval. The Company establishes the fair market value of the restricted stock units at the grant date, based on the stock price and applicable exchange rate.

A summary of restricted stock unit activity in 2024 and 2023 is presented below:

| | Shares | Grant date fair market value US\$ |
|----------------------------------|-----------|-----------------------------------|
| Outstanding at January 1, 2023 | 667,990 | 2,935,144 |
| Granted | 284,437 | 1,217,027 |
| Vested or settled for cash | (307,845) | (869,737) |
| Forfeited | (73,832) | (380,981) |
| Outstanding at December 31, 2023 | 570,750 | 2,901,453 |

| | Shares | Grant date fair market value US\$ |
|---|----------------|-----------------------------------|
| Outstanding at January 1, 2024 | 570,750 | 2,901,453 |
| Granted | 265,063 | 1,043,174 |
| Vested or settled for cash | (180,962) | (921,711) |
| Forfeited | (8,502) | (45,000) |
| Outstanding at December 31, 2024 | 646,349 | 2,977,916 |

RSUs settled for cash were US\$ 714,000 in 2024 and US\$ 1.2m in 2023.

As of December 31, 2024, there was US\$ 952,000 total unrecognized compensation cost related to non-vested restricted stock units. Restricted stock unit expense is being recognized over the three-year vesting period. The weighted average remaining vesting period is 1.1 years.

16. EMPLOYEE COMPENSATION

The Board approved management bonuses and profit-sharing payments totaling US\$ 1.2m and US\$ 1.2m partly paid in December 2024 and 2023, respectively. The remainder to be paid in early 2025, based upon the Company meeting certain financial targets. Amounts not paid during 2024 are included in accrued expenses in the accompanying consolidated balance sheets.

Equity Bonus Plan

The Company has an Equity Bonus Plan, under which eligible senior managers may choose to receive a percentage of their annual performance bonus in shares of common stock. In March 2024, the Company issued 5,310 shares of common stock, valued at US\$ 21,000 at the time of grant. In March 2023, the Company issued 21,114 shares of common stock, valued at US\$ 91,000 at the time of grant.

17. SHARE BUYBACK

In February 2023 and 2024, the Board authorized on-market share buyback programs for such number of its listed shares of common stock as are equal to US\$ 2,000,000 for each program. The maximum price paid per common share was no more than the higher of 105 percent of the average middle market closing price of common share for the five business days preceding the date of the share buyback, the price of the last independent trade and the highest current independent purchase bid. As of December 31, 2024, the Company purchased 608,918 shares of common stock for an aggregate value of US\$ 2,604,000 pursuant to the share buyback program authorized in 2024, and 373,635 shares of common stock for an aggregate value of US\$ 1,375,000, which completed the share buyback program authorized in 2023. The Company estimates the share buyback program authorized in 2024 will be completed by the end of H1 2025. In connection with the Company's share buyback programs authorized in 2024 and 2023, 660,247 shares held in treasury were cancelled in 2024.

18. SUBSEQUENT EVENTS

In preparing the consolidated financial statements, the Company has evaluated all subsequent events and transactions for potential recognition or disclosure through March 11, 2025, the date the consolidated financial statements were available for issuance.

Dividend

In recognition of Somero's strong performance and the Board of Directors' confidence in the continued growth of the Company, the Board approved a dividend payout ratio of 50% of adjusted net income and is pleased to announce a final 2024 dividend of 8.89 US cents per share that will be payable on May 9, 2025 to shareholders on the register at April 11, 2025. Together with the interim dividend paid in October 2024 of 8.00 US cents per share, this represents a full year regular dividend to shareholders of 16.89 US cents per share. In addition, due to the strength of the Company's cash position at the end of 2024, and upon the review of anticipated future cash requirements for the business, the Board of Directors' has approved a supplemental dividend of 4.09 US cents per share that will be paid together with the final 2024 dividend on May 9, 2025 to shareholders on the register at April 11, 2025. The combined dividend payment will total 12.98 US cents per share, representing a total dividend payment of US\$ 7.1m.

| | |
|----------------------------------|--------------------------|
| Distribution amount: | \$0.1298 cents per share |
| Ex-dividend date: | 10 April 2025 |
| Dividend record date: | 11 April 2025 |
| Final day for currency election: | 25 April 2025 |
| Payment date: | 9 May 2025 |

Further, any participant holding the security on behalf of beneficial owners resident in a treaty country with the United States of America can facilitate claims for tax relief at source for its underlying beneficial owners. In order to ensure that the appropriate rate of US Withholding Tax is applied correctly, completed documentation must be provided to the Depositary, Computershare Investor Services PLC.

Equity Bonus Plan

In January 2024, the Board approved the 2024 Equity Bonus Plan, under which eligible senior managers can elect to receive up to 100% of their 2024 annual performance bonus in shares of common stock. The Company expects to issue shares for awards under the 2024 Equity Bonus Plan in 2025.

Share buyback

In February 2025, the Board approved a share buyback program, pursuant to which, the Board intends to carry out an on-market buyback of such number of its listed shares of common stock as are equal to US\$ 2,000,000. The purpose of the program is to mitigate future dilution resulting from share issuances under the Company's equity award programs. The Company estimates that the program will be fulfilled by the end of 2025.

OTHER UNAUDITED INFORMATION

DIVIDEND

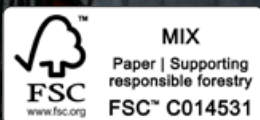
All dividends, including both ordinary and supplemental, have the option of being paid in either GBP or USD subject to the underlying agreements between shareholders and their brokers which Somero cannot override. Payments in USD can be paid by Check or through CREST. Payments in GBP can be paid via Check, CREST and BACS. The default option if no election is made will be for a USD payment via check. Should shareholders wish to change their current currency or payment methods, forms are available through Computershare Investor Services PLC at <https://www-uk.computershare.com/Investor/Content/c057a8a7-f4f8-4fcb-a497-836ce2f708d5>.

If shares are held as Depositary Interests through a broker or nominee, the holding company must be contacted and advised of the payment preferences. Such requests are subject to the terms and conditions of the broker or nominee.

Additional information on currency election and tax withholding can be found at: <https://investors.somero.com/aim-rule-26>. Shareholders can also contact Computershare Investor Services PLC by telephone at +44 (0370) 702 0000 or email via webcorres@computershare.co.uk.

ANNUAL GENERAL MEETING

The Annual General Meeting of Stockholders (the AGM) of the Company will be held at 14530 Global Parkway, Fort Myers, FL 33913 USA on June 18, 2025 at 9:00 am local time. The notice of the AGM shall be released with the Annual Report and shall include instructions for remote participation. Stockholders of record at the close of business on April 22, 2025 will be entitled to receive notice of, and vote at, the AGM.



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