

EXECUTIVE REPORT 2020

ELMA – Your Solution Partner

Elma Electronic is a global manufacturer of electronic packaging products for the embedded systems market – from components, backplanes, power supply solutions, storage boards and chassis platforms to fully integrated systems. Elma is listed at the Swiss Stock Exchange, with subsidiaries in 10 countries on 3 continents. To ensure our integrated solutions are optimized to our customers' needs, Elma partners with leading board manufacturers in the industry.

Elma also provides enclosure solutions and rotary switches for demanding applications for electronic companies. The company has a broad base of proven standard products which can be tailored to individual applications: Elma offers services from the initial concept to volume production. Elma's reliable solutions, flexibility, and design expertise are key reasons why the leading companies in the world choose Elma time and again.

Key Figures 2020

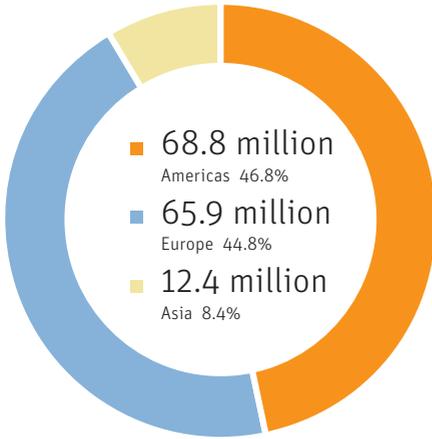
Elma Group Key Figures

in CHF 1,000	2020	2019
Order income	153,288	158,994
Net sales	147,036	151,155
EBITDA	9,939	9,552
in % of net sales	6.8	6.3
EBIT	6,555	6,408
in % of net sales	4.5	4.2
Net profit	5,584	5,111
in % of net sales	3.8	3.4
in % of average equity	13.5	13.5
Cash Flow from operating activities	10,326	7,774
Balance sheet total	91,803	94,070
Shareholders' equity	42,591	40,071
in % of balance sheet total	46.4	42.6
Headcount year end in FTE (incl. temporary employees)	778	773

The Alternative Performance Measures are described on page 27 of this Executive Report or on Elma's website at the following link: www.elma.com/en/investors/company-profile/alternative-measures

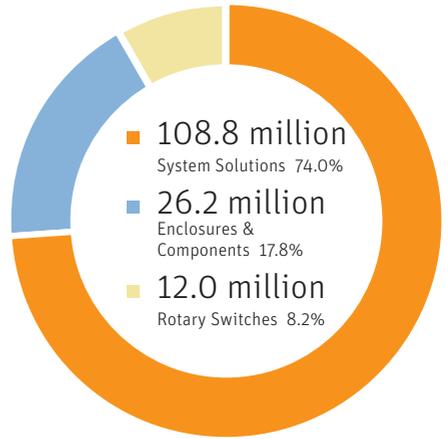
Net sales by region

in CHF and %



Net sales by product line

in CHF and %



147.0

million CHF
net sales

778

employees worldwide

5.6

million CHF
net profit

153.3

million CHF
order income



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Dear Shareholders,

The year 2020 was impacted by the global Covid-19 pandemic which posed considerable challenges for companies. In this economically and entrepreneurially demanding environment, the Elma Group succeeded in slightly increasing order income as well as net sales adjusted for currency effects, improving profitability, and closing the financial year with a slightly higher net profit than last year.

- **Order income of CHF 153.3 million increased by 0.7% adjusted for currency effects (previous year: CHF 159.0 million)**
- **Net sales of CHF 147.0 million 1.5% higher adjusted for currency effects (previous year: CHF 151.2 million)**
- **EBIT of CHF 6.6 million (previous year: CHF 6.4 million) and net profit of CHF 5.6 million (previous year: CHF 5.1 million) improved due to significantly lower sales and other operating expenses**
- **All three regions with a positive profit contribution**
- **Operating cash flow increased by nearly 25% to CHF 10.3 million**
- **Net debts reduced by CHF 7.1 million to CHF 16.9 million (previous year: CHF 24.0 million)**
- **Equity ratio improved to 46.4% (December 31, 2019: CHF 42.6%)**
- **A high level of innovation with significant product developments for the healthcare sector and five Technology Innovation Awards received**

Market trends

Elma's performance in 2020 was strongly influenced by the ongoing Covid-19 pandemic. Our customers reduced their capacities during the lockdowns ordered by their respective governments. We had to adjust our production capacities accordingly and introduced short-time work in some cases. Covid-19 vaccines are now available and a return to the "new normal" seems to be slowly coming into view. The stimulative policies by governments as well as the catch-up demand among consumers and the execution of postponed projects by companies support the economic recovery phase.

Innovation, research and development

We offer solutions from components to integrated systems. Innovation is one of the key success factors for us to deliver market-driven products to our customers and to ensure profitable growth in all three regions and product lines. We work closely with our customers when developing new products, system solutions and services. This enables us to understand the customer's needs when developing customized, innovative solutions. We are "Your Solution Partner".

In the USA, we received five Military & Aerospace Engineering Technology Innovation Awards. This is the fourth year in a row that Elma products have been selected by this important awards program. Honorees of the Technology Innovation Awards have made a pioneering contribution to the defense and aerospace industry and are recognized as leaders with innovative solutions and products.

Awarded products include the new power system “RP24” for the use in rugged terrain, the “VITA 48.4” liquid flow-through rugged ATR platform for the Defense and Aerospace electronic, the “ComSys 5371” rugged COMe system platform for high performance computing as well as the rugged platform for high performance AI applications “JetSys 5320”. More information is available at <https://www.elma.com/de/who-we-are/awards>.

On pages 12 to 15 of this executive report, we show two innovative and demanding customer projects that include an application in the healthcare sector to contain in the Covid-19 pandemic

Order income

Demand from customers in the defense segment remained lively and made a significant contribution to the overall positive development in order income. Order income closed at CHF 153.3 million (previous year: CHF 159.0 million), which is a decrease of 3.6%; however, adjusted for currency effects, a slight plus of 0.7% compared with the previous year was achieved. Orders are recorded as order income only if delivery is affected within the next six months.

In the USA, Elma received five Military & Aerospace Engineering Technology Innovation Awards. This is the fourth year in a row that Elma products have been selected by this important awards program.

Order income developed particularly well in the Asia region and went up 12.4% to CHF 11.8 million; adjusted for currency effects, they even rose by 19.3%. The Americas region increased order income in local currency by 2% to USD 82.0 million; in Swiss Francs, however, there was a decline of 3.9%. In the Europe region, orders income fell by 5.7% to CHF 64.7 million; adjusted for currency effects, the decrease was 3.6%. Orders in Germany and France developed positively with an increase compared with the previous year. The entities in Switzerland, UK and Israel were confronted with a pronounced slowdown, which led to lower order income.

Net sales

Production in 2020 was maintained as well as possible in compliance with strict protective measures. Despite the postponements of orders by customers as a result of the Covid-19 pandemic, the consolidated revenue in local currency slightly increased. Short-term orders were executed to fill capacity. In the US, which is strongly driven by the systems business, net sales grew by 3%. Also the Asia region reported an increased demand, while activities in the Europe region were hampered by the weaker economic dynamics and the related project delays in Germany, France and the UK.

In 2020, the Elma Group realized net sales totaling CHF 147.0 million (previous year: CHF 151.2 million), which corresponds to a decrease of 2.7%; adjusted for currency effects, net sales rose by 1.5%. The Americas region increased net sales by 3.0% to USD 73.5 million (previous year: USD 71.3 million); in Swiss Francs they were down 2.9%. In the Europe region, net sales fell by 6.8% to CHF 65.9 million (previous year: CHF 70.7 million); adjusted for currency effects, the decrease was 4.8%. In the Asia region, net sales increased by 28.8% to CHF 12.4 million (previous year: CHF 9.6 million); adjusted for currency effects, the growth was even 36.7%.

Despite the postponements of orders by customers as a result of the Covid-19 pandemic, the consolidated revenue in local currency slightly increased. Short-term orders were executed to fill capacity.

The System Solutions product line closed the 2020 business year with sales on previous year's level, thanks to the successful project business in the USA and Asia, which compensated for the decline in demand in Europe. The net sales amounted to CHF 108.8 million (previous year: CHF 108.5 million); adjusted for currency effects, an increase of 4.9% was achieved. The Enclosures & Components product line generated net sales of CHF 26.2 million (previous year: CHF 29.7 million), which is a minus of 11.7%; adjusted for currency effects, sales fell by 8.5%. The Rotary Switches product line achieved sales of CHF 12.0 million, a drop of 7.5% (previous year: CHF 13.0 million); adjusted for currency effects, the decrease was 4.3%.

EBIT and net profit

The Elma Group closed the 2020 business year with a net profit of CHF 5.6 million (previous year: CHF 5.1 million). EBITDA reached CHF 9.9 million or 6.8% (previous year: CHF 9.6 million or 6.3%) and EBIT was CHF 6.6 or 4.5% (previous year: CHF 6.4 million or 4.2%). The profit per share amounted to CHF 24.44 (previous year: CHF 22.37). The improved profitability is due to the fact that sales and other operating expenses were significantly lower than in the previous year.

Solid balance sheet

As of December 31, 2020, the Elma Group reported total assets of CHF 91.8 million (previous year: CHF 94.1 million). The equity ratio stood at 46.4% (previous year: 42.6%). Net debts fell by CHF 7.1 million to CHF 16.9 million (previous year: CHF 24.0 million).

Operating cash flow

The operating cash flow amounted to CHF 10.3 million and thus was CHF 2.6 million above previous year (previous year: CHF 7.7 million). This good result made allowed to finance all investments by own funds, to repay bank debts in the amount of CHF 3.7 million and to increase cash by CHF 3.4 million. The strong operating cash flow was possible due to a higher net profit, lower stocks and reduced accounts receivable, trade and other liabilities.

Dividend policy

Elma's dividend policy depends on the following factors:

- Improved balance sheet structure
- Reduced net debts
- Equity ratio of over 50%

We have made further progress in the last year to allow a dividend payment. Not all factors have been met yet and the Board of Directors will propose to the General Annual Meeting on April 15, 2021 to forego a dividend payment for 2020 and to continue to invest the generated funds into the company.

Investments

The investments goals in 2020 focused on increasing automation, digitization as well as on optimizing productivity. Overall, investments in the amount of CHF 3.2 million were made in all regions. 54% of the investments were made in the Europe region, 42% in the Americas region and 4% in the Asia region. In the previous year, the investment volume was CHF 14.2 million, mainly due to the purchase of an industrial campus in the USA.

Employees

The headcount of the Elma Group including temporary employees rose slightly to 778 employees (FTE) at the end of 2020 (previous year: 773 FTE). We employed a total of 404 people in the Europe region (previous year: 424), followed by the Americas region with 298 employees (previous year: 277) and the Asia region with 76 employees (previous year: 72).

Change of Board of Directors and Group Management in 2020

In April 2020, Fred Ruegg has retired and stepped down from his position as CEO of the Elma Group. The Annual General Meeting on April 16, 2020 has elected him to the Board of Directors, preserving his many years of industry experience and high level of expertise for the Elma Group. Thomas Herrmann was appointed by the Board of Directors as the new CEO of the Elma Group and member of the Group Management as per April 17, 2020.

Change of Board of Directors in 2021

Rudolf W. Weber has been a non-executive member of the Board of Directors since 2004. In 2020, he reached the age limit stipulated in Elma's by-laws. He will therefore resign from the Board of Directors after the completion of the Annual General Meeting on April 15, 2021. The Board of Directors has decided in its meeting on February 25, 2021 that the position will not be replaced for the time being and thus the Board will consist of four members after the 2021 Annual General Meeting. The entire Board of Directors thanks Rudolf W. Weber for his successful work of many years and his great contribution to the Elma Group as a member of the Board of Directors and Chairman of the Compensation Committee.

The investments goals in 2020 focused on increasing automation, digitization as well as on optimizing productivity.



We started the 2021 business year with a solid order backlog.

The other four members of the Board of Directors will stand for re-election at the Annual General Meeting. The Board of Directors will propose to the Annual General Meeting on April 15, 2021 to re-elect all members as well as re-elect Martin Wipfli as Chairman. In addition, the Board of Directors will propose to the 2021 Annual General Meeting to elect Fred Ruegg and to re-elect Peter Hotz as members of the Compensation Committee.

Annual General Meeting 2021

Based on Art. 27 of Ordinance 3 of the Federal Council on measures to combat the coronavirus (COVID-19) of June 19, 2020 (in the version of February 8, 2021), the Elma Board of Directors decided to conduct the Annual General Meeting 2021 without the physical presence of the shareholders. For the upcoming Annual General Meeting on April 15, 2021, the shareholders will have the opportunity to vote and provide instructions to the independent proxy, either in writing or electronically via the online platform of Share Comm Service AG (shareholder's register). Details regarding voting and instructions to the independent proxy for the 2021 Annual General Meeting will be explained in the invitation to the General Meeting.

Outlook

We started the 2021 business year with a solid order backlog. The further development of the Covid-19 pandemic and its effects on the global economy remain unpredictable from today's perspective. For this reason, we refrain from providing an outlook for 2021.

Special thanks

The year 2020 was very demanding for all of us and presented each of us with new challenges. The Board of Directors and the Group Management would therefore like to take the opportunity to thank all employees of the Elma Group for their great commitment in these difficult times. A big thank you also goes to our customers and business partners for their trust in the Elma Group despite being confronted with the challenges of the pandemic. We would like to thank our shareholders for their loyal support in a challenging year.

Martin Wipfli
Chairman

Thomas Herrmann
CEO

Strategy of the Elma Group

Elma – Your Solution Partner. This claim is recognized worldwide as Elma offers products and services of three strategic product lines through ten local Group companies, spread across the regions Americas, Europe and Asia. Elma aims to improve results significantly in the medium term and achieve an organic growth each year. Through selective acquisitions Elma exploits additional growth potential.

Elma's corporate strategy focuses on four key elements:

Expand market share

Elma intensifies market activities and develops strategies to win more customers in new market segments for their three strategic product lines System Solutions, Enclosures & Components and Rotary Switches.

Sell all product lines in three regions

Elma's system solutions are based on the component business. Elma sells their products through their regional subsidiaries, strategic partners and distributors worldwide.

Regional production

With production sites in the three regions, Elma can quickly respond to the needs of customers. In addition, they provide extensive protection against the consequences of significant currency fluctuations ("natural hedging").

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Develop and expand the systems business and expand the customer base and design-ins for the Rotary Switches business

Elma focuses on advanced technical components and system solutions and on expanding the system integration business in all three regions. Elma expands their product range with small form factor products in electronic packaging. In the Rotary Switches product line, Elma supplements business activities and solutions with human-machine interface applications.

Thomas Herrmann on his first year as CEO of the Elma Group

Mr. Herrmann, you were appointed CEO of the Elma Group in April 2020, in the midst of the Covid-19 pandemic. You had to familiarize yourself with your new role while at the same time lead through the worst economic crisis in decades. How did you deal with this?

First of all, I was impressed by how the employees of the Elma Group worldwide mastered the great challenges associated with the Covid-19 pandemic. Good protective measures were introduced, and have been continuously adapted and improved amongst all Elma companies.

My start was of course extremely unusual, especially since the planned visits to our companies and customers in Europe, USA and Asia could not take place physically. We compensated for this through many virtual meetings and digital company tours, which quickly gave me a first impression of the strengths of the various locations, and also some weaknesses. Interestingly, the virtual medium has enormously strengthened and accelerated the global dialogue. Nevertheless, I am looking forward to meeting our customers and employees in person soon.

In your opinion, which positive experiences and developments were particularly significant?

I am very proud that we were able to make an important contribution to the public healthcare in 2020 with our technologies, our products and our agility. We were able to supply a large number of rotary switches for ventilator machines in the medical sector at short notice; this was a major contribution to ensuring that hospitals in Europe and Southeast Asia have received the essential equipment.

In another example, we were able to develop and manufacture a disinfection device for a customer in Switzerland, which was also used in the Zurich region in Switzerland to disinfect buses, laboratories and medical practices.

You described the 2020 business year as “turbulent” but also “solid”. Are you satisfied with the performance in the context of the Covid-19 pandemic?

Our results are indeed presentable. We slightly increased net sales and order income adjusted for currency effects. At the same time, we reduced operating expenses and generated a higher EBIT and net profit.

I am very proud that we were able to make an important contribution to the public healthcare in 2020 with our technologies, our products and our agility.

Our customers have remained loyal to us, the defense sector has proven to be stable and the decline in orders in the industrial sector was largely compensated by the medical and transportation sectors. I am convinced that global companies survive when they operate with agility and customer orientation in this “new normal” environment. I am motivated every day to strengthen the global team approach and the know-how transfer between the companies of the Elma Group as well as related solutions for additional customer segments.

Will the pandemic change the global industrial landscape and technological development permanently?

I am convinced that digitization will radically change companies, economics, politics and society. It is the very foundation for future commercial success. Digitization and networking offer great opportunities, yet but they also present us with challenges. At Elma, we continued to invest in digitization in 2020, and also in automation and productivity optimization. This applies to all areas – from production to engineering, communication and administration.

How do you recover from your demanding job as CEO, especially during a pandemic?

I believe I have a special hobby: during the summer months, I am a passionate beekeeper, looking after my bee colonies. I also enjoy engaging in sports with my family; I love skiing in winter and biking in summer. On rainy days, I live out my creative side by painting and sculpting.

I am motivated every day to strengthen the global team approach and the know-how transfer between the companies of the Elma Group as well as related solutions for additional customer segments.



Thomas Herrmann is 49 years old, married, with two children. He holds a mechanical engineering degree from from the ETH Zurich (Switzerland), with an Executive MBA from the University of St. Gallen (Switzerland) and University of Toronto (Canada). He has held various management positions with Alstom Power and GE Power over the last several years, his last position there as General Manager of Industrial Steam Turbines at GE Power.

Product Lines

System Solutions

Elma develops and manufactures advanced and integrated system solutions for demanding applications and environments. As a leading provider of fully integrated solutions for “embedded systems”, Elma supports customers with global engineering teams and production sites. In 2020, Elma successfully implemented new innovative customer projects in the system business.

Elma has enforced its virtual medium for the global dialog with customers and partners. As a driving force in technological committees, Elma has organized and sponsored a series of webcasts aimed at understanding the technical Sensor Open System Architecture Standard (SOSA). The SOSA consortium enables governments and industry to collaboratively develop open standards and best practices to enable, enhance and accelerate the deployment of affordable, capable and interoperable sensor systems. One of the main focuses was explaining why network connections are essential for module compatibility and successful implementation at the system level. The webinars were received with great international interest. Elma plans to enhance this medium for more technology seminars for system applications.

Enclosures & Components

The Enclosures & Components product line focuses on the implementation of customized requirements and projects in order to meet the individual needs of customers for integrated products.

By using the new 3D configurator, Elma’s premium enclosures can be configured online. The software allows customers to autonomously configure the housing according to their requirements, download product model data and add a customized front or rear panel. The configurator is currently available on Elma’s website for the products “Stylebox 15 e-motion”, “Guardbox 33” and “Compact Case 20”; more products are constantly being added.

Rotary Switches

The rotary switch portfolio offers customers extensive and high-quality deployment solutions. The proven switch applications used by customers are testimony to Elma’s success story with selector switches, coded switches and encoders. Among others, they are used in the medical and rescue technology, for safety and telecommunication applications as well in the defense sector.

Innovation is one of Elma’s the most important success factors. Elma works closely with customers and technology partners to deliver products, solutions and services that meet the needs of the market. Among other activities, the degree of automation at our locations was increased in order to make use of the opportunities that “Industry 4.0” offers for efficient production, traceability and other important aspects. In 2020, the automation modules for the encoder lines “E18” and “E33” were expanded. By combining the two switch families, production is additionally designed for higher volumes. On the other hand, the industrialization of the “X1” switch family with four automation modules started. Elma invested almost CHF 1 million in automation in 2020.

Highlights 2020

Innovation Awards

In the USA, Elma received five Military & Aerospace Engineering Technology Innovation Awards. This is the fourth year in a row that Elma products have been selected by this important awards program. Honorees of the Technology Innovation Awards have made a pioneering contribution to the defense and aerospace industry and are recognized as leaders with innovative solutions and products. Awarded products include the new power system “RP24” for the use in rugged terrain, the “VITA 48.4” liquid flow-through rugged ATR platform for the Defense and Aerospace electronic, the “ComSys 5371” rugged COMe system platform for high performance computing as well as the rugged platform for high performance AI applications “JetSys 5320”. More information is available at <https://www.elma.com/de/who-we-are/awards>.



New Online Product Configurator for Enclosures

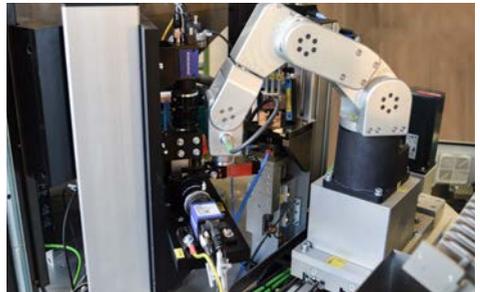
By using the new 3D configurator, Elma’s premium enclosures can be configured online. The software allows customers to autonomously configure the housing according to their requirements, download product model data and add a customized front or rear panel.

The configurator is currently available on Elma’s website for the products “Stylebox 15 e-motion”, “Guardbox 33” and “Compact Case 20”; more products are constantly being added. Link: www.elma.com/en/products/enclosures-and-components



Automation

The degree of automation at our locations was increased in order to make use of the opportunities that “Industry 4.0” offers for efficient production, traceability and other important aspects. In 2020, the automation modules for the encoder lines “E18” and “E33” were expanded. By combining the two switch families, production is additionally designed for higher volumes. On the other hand, the industrialization of the “X1” switch family with four automation modules started.



Securing Health



© Steinemann Disinfection



Steinemann Disinfection is a specialist in the international disinfection market and offers sustainable, reproducible and efficient concepts, processes and systems for the three-dimensional disinfection of rooms and surfaces. They design processes to control, viruses, and fungi public and industrial institutions as well as in private households, using equipment, chemicals or natural substances. They also specialized on the mediation and dissemination of methods, processes and best practice programs at all levels and in all defined applications.

Elma produces for the customer a cold mist dispersion devise, the “CleanCube”, which independently frees rooms and surfaces from viruses and bacteria using a 3D process. The device swirls disinfectant evenly indoors using a powerful vortex and does not leave out any spots. Elma was able to industrialize this complex disinfection device within a short period of time and thus makes an important contribution to containing the Covid-19 pandemic.

www.steinemann-disinfection.ch



Redefining Audio Experience



Arya Audio Labs is a London based designer and manufacturer of high-end audio equipment. Their team is taking on the challenge to redefine the audio experience and setting a new standard in audio reproduction.

The AirBlade HYPE is Arya Audio's latest creation and a one-of-a-kind product in the high-end audio market. It is used as an add-on unit to augment traditional loudspeaker systems with its unique 180-degree dispersion while covering a much wider frequency range than a typical driver. The ultra-wide dispersion achieves true immersive sound by extending the optimal listening position far beyond a single sweet spot. AirBlade HYPE is fully passive and does not require additional amplification.

Arya Audio Labs has chosen Elma's Rotary Selector Switch Type O4 for its superb quality and customisation options. With its gold-plated copper alloy pins, the ceramic body and the adjustable stop positions, the Elma Type O4 is the logical choice for state-of-the-art products like the AirBlade HYPE.

www.arya-audio.com



Regions

Americas

With the two operating companies Elma Electronic Inc. and Optima Stantron Corp. as well as several sales, engineering and production locations, the Americas region offers customers services along the entire value chain of the Elma Group.

Demand from customers in the defense segment in 2020 remained stable and made a significant contribution to the overall positive development. The US companies specialize in the implementation of technically demanding system solutions and have further increased order income and net sales, both in local currency.

In 2020, Elma Americas received five Military & Aerospace Engineering Technology Innovation Awards. Honorees of the Technology Innovation Awards have made a pioneering contribution to the defense and aerospace industry and are recognized as leaders with innovative solutions and products. Awarded products include the new power system “RP24” for the use in rugged terrain.

The US companies specialize in the implementation of technically demanding system solutions and have further increased order income and net sales, both in local currency.

Europe

In the Europe region, Elma is represented by six group companies: in Switzerland, Germany, UK, France, Romania and Israel. The regional production site in Romania ensures the supply of the region with rotary switches as well as enclosures and components.

Due to the promptly implemented measures, Elma was able to soften the impact of the ongoing pandemic in the Europe region, and all companies made a positive profit contribution to Elma’s overall performance.

The global Covid-19 pandemic has had the biggest impact on business in Europe. Activities in the Europe region flattened out as a result of the economic slowdown. Due to the promptly implemented measures, Elma was able to soften the impact of the ongoing pandemic in the Europe region, and all companies made a positive profit contribution to Elma’s overall performance. In the production site in Romania, the automation concept was further advanced with focus on the Rotary Switches product line.

Asia

Elma is represented in Asia with subsidiaries in China, Singapore as well as a Design Center in India, specializing in sophisticated electronic design and software solutions. By using the in-house capabilities at the production site in Shanghai, customers in Asia are offered a wide range of housings in the highest Elma Quality.

Business activities in China resumed earlier than in other regions when the restrictions of the Corona pandemic were partly lifted. There was increased demand, especially in Southeast Asia, because of the successful project business for demanding system solutions. In the Asia region, order income and net sales improved significantly, both in local currency and as adjusted for currency effects.

Elma China has received certification for the rail industry. The electronic control cabinets were successfully tested for shock and vibration in accordance with IEC61373-2010. The cabinets are mainly used in signaling control systems in vehicle cockpits on board or on the track side.

There was increased demand, especially in Southeast Asia, because of the successful project business for demanding system solutions.

Consolidated Balance Sheet Elma Group

at December 31

Assets

in CHF 1,000	2020	2019
Current assets		
Cash	10,619	7,223
Trade accounts receivable	20,820	23,285
Other short-term accounts receivable	1,126	1,515
Inventories	30,545	32,040
Prepayments and accrued income	1,254	1,121
Total current assets	64,364	65,184
Non-current assets		
Tangible assets	23,426	26,131
Deferred tax assets	2,339	2,433
Other financial assets	172	190
Intangible assets	1,502	132
Total non-current assets	27,439	28,886
Total assets	91,803	94,070

Consolidated Balance Sheet Elma Group

at December 31

Liabilities and equity

in CHF 1,000

	2020	2019
Liabilities		
Current liabilities		
Short-term bank debts	6,716	8,158
Trade accounts payable	9,388	10,974
Other current liabilities	4,173	3,846
Short-term provisions	2,605	2,580
Accrued liabilities and deferred income	4,507	4,644
Total current liabilities	27,389	30,202
Non-current liabilities		
Long-term bank debts	10,786	13,051
Subordinated loan	10,000	10,000
Other long-term liabilities	25	10
Deferred tax liabilities	429	307
Long-term provisions	583	429
Total non-current liabilities	21,823	23,797
Total liabilities	49,212	53,999
Equity		
Share capital	2,513	2,513
Capital reserves	8,388	8,388
Retained earnings	31,690	29,170
Total equity	42,591	40,071
Total liabilities and equity	91,803	94,070

Consolidated Income Statement Elma Group

in CHF 1,000	2020	2019
Net sales from goods and services	147,036	151,155
Cost of goods sold	-108,335	-110,356
Gross profit	38,701	40,799
Sales and Marketing expenses	-18,351	-19,992
Administrative expenses	-11,088	-10,993
Research and development expenses	-2,297	-2,454
Other operating income	846	954
Other operating expenses	-1,256	-1,906
Operating income (EBIT)	6,555	6,408
Financial result	-553	-620
Ordinary result	6,002	5,788
Non-operating result	399	176
Profit before income taxes (EBT)	6,401	5,964
Income taxes	-817	-853
Net profit	5,584	5,111
Net profit per share in CHF	24.44	22.37

Consolidated Cash Flow Statement Elma Group

January 1 to December 31

in CHF 1,000	2020	2019
Cash flow from operating activities		
Net profit	5,584	5,111
Income taxes	817	853
Financial result	553	620
Adjustments for		
Depreciation of tangible assets	3,258	3,057
Amortization of intangible assets	126	87
Change in provisions	330	-180
Net profit from disposal of tangible assets	-11	-36
Other non-cash-effective income and expenses	1	6
Changes in net working capital		
Inventories	151	-2,267
Trade accounts receivable	1,351	446
Other short-term accounts receivable and prepaid expenses	190	-142
Trade accounts payable	-1,355	616
Other short-term payables and accruals	196	738
Income taxes paid	-300	-551
Interest expenses paid (net)	-565	-620
Total cash flow from operating activities	10,326	7,738
Cash flow from investing activities		
Purchase of tangible assets	-1,749	-14,175
Disposal of tangible assets	18	36
Purchase of intangible assets	-1,200	-44
Changes of other financial assets	12	13
Total cash flow from investing activities	-2,919	-14,170
Cash flow from financing activities		
Issuance of short-term bank debts	-	5,209
Repayment of short-term bank debts	-3,733	-2,943
Issuance of long-term bank debts	8,500	4,571
Repayment of long-term bank debts	-8,480	-
Total cash flow from financing activities	-3,713	6,837
Effects of exchange rate on cash	-298	-87
Increase in cash	3,396	318
Cash at January 1	7,223	6,905
Cash at December 31	10,619	7,223

Balance Sheet Elma Electronic AG, Switzerland

at December 31

Assets

in CHF 1,000	2020	2019
Current assets		
Cash	3,281	1,194
Trade accounts receivable		
– Group companies	2,963	2,926
– Third parties	3,016	3,217
Other accounts receivable		
– Group companies	3,614	2,891
– Third parties	416	736
Inventories	10,406	11,392
Prepayments and accrued income	360	243
Total current assets	24,056	22,599
Non-current assets		
Financial assets		
– Investments	20,155	20,405
– Loans to Group companies	1,977	6,848
– Other financial assets	10	10
Tangible assets	9,183	9,683
Intangible assets	132	62
Total non-current assets	31,457	37,008
Total assets	55,513	59,607

Balance Sheet Elma Electronic AG, Switzerland

at December 31

Liabilities and equity

in CHF 1,000	2020	2019
Liabilities		
Current liabilities		
Short-term interest-bearing liabilities	6,716	7,886
Trade accounts payable:		
– Group companies	572	379
– Third parties	1,817	3,143
Other current liabilities:		
– Group companies	4	77
– Third parties	215	479
Accrued liabilities and deferred income	1,434	1,364
Total current liabilities	10,758	13,328
Non-current liabilities		
Non-current interest-bearing liabilities		
– Bank debts	10,786	13,051
– Subordinated loan	10,000	10,000
Provisions	24	10
Total non-current liabilities	20,810	23,061
Total liabilities	31,568	36,389
Equity		
Share capital	2,513	2,513
Legal reserves		
– Capital reserves	7,311	7,311
– Retained earnings	1,077	1,077
Free reserves	5,899	5,899
Retained earnings	7,145	6,418
Total equity	23,945	23,218
Total liabilities and equity	55,513	59,607

Income Statement Elma Electronic AG, Switzerland

in CHF 1,000	2020	2019
Net sales from goods and services	41,613	43,755
Income from services	2,745	2,019
Total income	44,358	45,774
Material expenses	-25,745	-27,048
Personnel expenses	-12,686	-13,421
Other operating expenses	-3,895	-3,908
Depreciation	-1,199	-1,103
Other operating income	294	343
Gain from disposal of fixed assets	12	7
Operating income (EBIT)	1,139	644
Financial income	183	235
Financial expenses	-532	-588
Revaluation on investments	-250	1,105
Ordinary result	540	1,396
Non-operating result	240	223
Net profit before taxes (EBT)	780	1,619
Taxes	-53	-27
Net profit	727	1,592

Appropriation of Retained Earnings

Retained earnings

Retained earnings will be proposed to the Annual General Meeting on April 15, 2021 as follows:	2020 in CHF 1,000	2019 in CHF 1,000
Retained earnings carried forward from previous year	6,418	4,826
Net profit	727	1,592
Retained earnings	7,145	6,418

Proposal of the Board of Directors

for the appropriation of retained earnings	2020 Proposal of the Board of Directors in CHF 1,000	2019 Proposal of the Board of Directors in CHF 1,000
To be carried forward	7,145	6,418
Retained earnings	7,145	6,418

Multi-year Overview Elma Group

in CHF 1,000	Swiss GAAP FER				
	2020	2019	2018	2017	2016
Order income	153,288	158,994	148,626	143,201	144,777
Net sales	147,036	151,155	145,981	143,978	130,308
EBITDA	9,938	9,552	10,221	9,687	6,369
EBITA	6,555	6,408	7,236	6,951	3,525
EBIT	6,555	6,408	7,236	6,951	3,525
Net profit	5,584	5,111	5,613	3,009	2,335
in % of average equity (ROE)	13.5	13.5	16.9	10.3	8.8
Depreciation of tangible assets	3,258	3,057	2,780	2,517	2,563
Amortization of intangible assets	126	87	204	219	281
Investments in tangible assets	1,872	14,175	2,448	3,166	3,078
Investments in intangible assets	1,348	44	1	86	138
Cash flow from operating activities	10,326	7,774	5,713	4,815	-1,063
Cash flow from investment activities	-2,919	-14,206	-2,393	-3,186	-3,179
Free cash flow	7,407	-6,432	3,320	1,629	-4,242
Cash flow from financing activities	-3,713	6,837	-3,823	911	1,619
Non-current assets	27,439	28,886	18,387	19,395	19,923
thereof tangible assets	23,426	26,131	15,469	15,908	15,208
Current assets	64,364	65,184	63,445	66,164	56,865
thereof cash and cash equivalents	10,619	7,223	6,905	7,416	4,874
Balance sheet total	91,803	94,070	81,832	85,559	76,788
Equity	42,591	40,071	35,865	30,460	27,755
in % of balance sheet total	46.4	42.6	43.8	35.6	36.1
Non-current liabilities	21,823	23,797	19,013	20,792	22,505
Current liabilities	27,389	30,201	26,954	34,307	26,528
Total financial liabilities	27,502	31,209	24,383	28,216	27,336
Net financial debts (financial liabilities less cash balances)	16,883	23,986	17,478	20,800	22,462
ROCE (EBIT/Capital Employed) in %	10.2	10.0	13.2	13.6	7.0
Indebtedness factor (net interest-bearing liabilities/EBITDA)	1.7	2.5	1.7	2.1	3.5
Headcount (FTE) end year	778	773	766	735	720
Headcount (FTE) average	772	773	751	725	715
Net sales per employee (average)	191	196	194	198	182

Alternative Performance Measures

Order Income

The order income includes deliveries within the next six months. Call orders are only disclosed if the partial delivery is scheduled within the next six months

EBITDA (Earnings before Interest, Income Taxes, Depreciation and Amortization)

Earnings before Interest, Income Taxes as well as Depreciation and Amortization on fixed assets and intangible assets. In 2020, the depreciation amounted to a total of CHF 3.3 million (previous year: CHF 3.1 million)

EBITA (Earnings before Interest, Income Taxes and Amortization)

Earnings before Interest, Income Taxes and Amortization on intangible assets

EBIT (Earnings before Interest and Income Taxes)

Operating result, i.e. net sales less cost of goods sold, sales and administrative expenses as well as other operating expenses plus other operating income before financial result, non-operating result and income taxes

ROE (Return on Equity)

Return on equity, i.e. net profit divided by the average equity

Net debts

Short-term and long-term interest-bearing financial liabilities minus cash

Free Cash Flow

Cash flow from operating activities minus cash flow from investing activities

ROCE (Return on capital employed)

$EBIT / (\text{capital employed} [= \text{total assets} - \text{current liabilities}])$ in%

Net debts ratio

Net financial debts / EBITDA

Adjusted for currency effects

Order income and net sales are also shown adjusted for currency effects. Foreign currency effects are adjusted by converting orders and net sales for the current reporting period using the average exchange rates for the same period in the previous year

Stock market capitalization

The stock market capitalization is equivalent to the share closing price, multiplied by the number of shares on the reporting date

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Agenda

April 15, 2021

Annual General Meeting

August 11, 2021

Half-Year Report at June 30

Annual Report 2020

The Annual Report 2020 is available as full report or as an executive summary. The full version of the Annual Report is available in German language only and is binding. It is only online. The Executive Report is available in German and English. Both documents can be downloaded from our website at <http://www.elma.com/en/investors/reports/>

Explanation of statements about the future

This Annual Report contains statements about what the future might hold for Elma, and these are of course subject to uncertainties and risks. The reader must therefore bear in mind that statements of this kind may ultimately be at variance to actual events occurring at a future date. These statements about future prospects take the form of projections of potential developments. All statements about the future are based on data available to Elma at the time this Annual Report was being produced. Elma does not accept any obligation for updating the statements about future prospects contained in this Annual Report to reflect new information, future events or similar developments.

Impressum

Publisher Elma Electronic AG, Wetzikon, www.elma.com

Concept and implementation Linkgroup AG, Zurich, www.linkgroup.ch
Tolxdorff Eicher, Horgen, www.tolxdorffeicher.ch

Editorial Elma Electronic AG, Wetzikon, www.elma.com

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