

EXECUTIVE REPORT 2021

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 2021

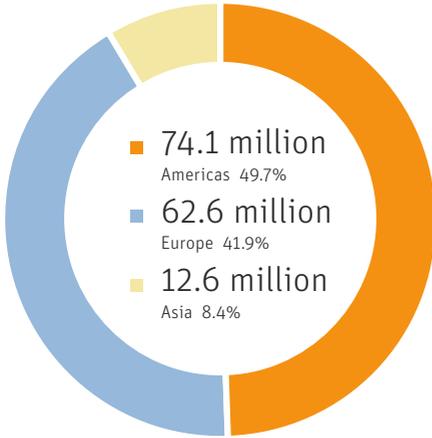
Elma Group Key Figures

in CHF 1,000	2021	2020
Order income	160,308	153,288
Net sales	149,277	147,036
EBITDA	12,280	9,939
in % of net sales	8.2	6.8
EBIT	9,053	6,555
in % of net sales	6.1	4.5
Net profit	7,539	5,584
in % of net sales	5.1	3.8
in % of average equity	16.2	13.5
Cash Flow from operating activities	5,739	10,326
Balance sheet total	97,580	91,803
Shareholders' equity	50,577	42,591
in % of balance sheet total	51.8	46.4
Headcount year end in FTE (incl. temporary employees)	805	778

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

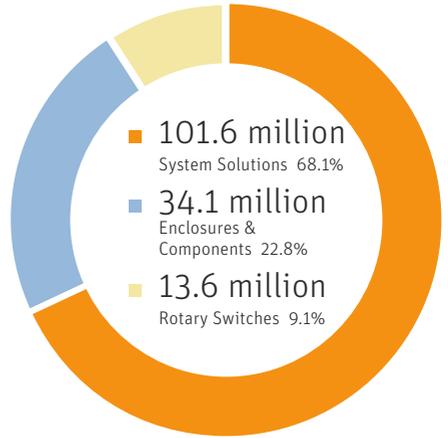
Net sales by region

in CHF and %



Net sales by product line

in CHF and %



149.3

million CHF
net sales

51.8%

Shareholders' equity

7.5

million CHF
net profit

160.3

million CHF
order income



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Dear Shareholders,

The Elma Group increases order income, net sales, operating and net profit in the business year 2021 and resumes dividend payment.

- **Order income of CHF 160.3 million increased by 5.3% adjusted for currency effects (previous year: CHF 153.3 million)**
- **Net sales of CHF 149.3 million improved by 2.5% adjusted for currency effects (previous year: CHF 147.0 million)**
- **EBIT increased to CHF 9.1 million (previous year: CHF 6.6 million) due to operational improvements in the USA and strong output in Asia and Switzerland**
- **Net profit improved to CHF 7.5 million (previous year: CHF 5.6 million) despite higher tax charges**
- **All three regions made a positive profit contribution in 2021**
- **Repayment of bank liabilities led to lower net debts of CHF 14.3 million (previous year: CHF 16.9 million)**
- **Equity ratio further improved to 51.8% (December 31, 2020: 46.4%)**
- **Board of Directors proposes the Annual General Meeting a dividend payment for the first time since 2008 of CHF 2.00 per share**
- **Election of Bruno Cathomen as fifth member of the Board of Directors proposed**
- **Four Military & Aerospace Engineering Technology Innovation Awards received**

Market trends

Elma looks back on a successful 2021 business year. In addition to a pandemic-related demand from customers, the optimization of production processes in the USA and the strong deliveries in the Asia region and Switzerland led to a significant improvement in results.

In addition to a 10% increase in net sales in local currency, the Americas region optimized its operational processes and was thus able to significantly increase the operating result compared with the previous year. In the Europe region, net sales were lower despite a significantly higher order income (+18.7% compared with previous year). Overall, the operating result mainly due to the strong performance of the parent company in Switzerland. The Asia region grew both in terms of net sales and operating income and reported a strong result in 2021.

The Elma Group increases order income, net sales, operating and net profit in the business year 2021 and resumes dividend payment.

Order income

Elma's products were in strong demand in Europe and Asia which increased the group-wide order income significantly. The order income of CHF 160.3 million exceeded the previous year by 4.6%; adjusted for currency effects, the increase was 5.3%. Orders are recorded as order income only if delivery is taking place within the next six months.

In the Europe region, the demand was particularly high in Switzerland, UK and Germany for the entire Elma product range. Order income increased by 18.7% to CHF 76.8 million (previous year: CHF 64.7 million); adjusted for currency effects, the increase was 17.5%. The Asia region recorded a 12.9% higher intake of CHF 13.3 million (previous year: CHF 11.8 million); adjusted for currency effects a plus of 15.5% was recorded. Asia is particularly successful with enclosure solutions. In the Americas region, orders fell by 6.5% and reached USD 76.7 million in local currency (previous year: USD 82.0 million); in Swiss Francs, this corresponds to a decrease of 8.6%, which was attributable to the restrained demand for system solutions. The components business developed positively in the USA in 2021.

Net sales

Net sales of the Elma Group increased by 1.5% to CHF 149.3 million (previous year: CHF 147.0 million); in local currency, a global growth of 2.5% was recorded. The Americas region increased net sales by 10.3% to USD 81.1 million (previous year: USD 73.5 million); in Swiss Francs sales went up 7.8%. The Europe region recorded increased demand for enclosure solutions and components. The Swiss company in particular was able to increase its net sales by more than 7%.

Elma's products were in strong demand in Europe and Asia which increased the group-wide order income significantly.

Activities in Germany, France and the UK leveled off as a result of bottlenecks in the supply chains as well as further project delays. Overall, there was a decrease of 5.1% to CHF 62.5 million (previous year: 65.9 million); adjusted for currency effects, net sales declined by 6.0%. In the Asia region, net sales rose by 1.7% to CHF 12.6 million (previous year: CHF 12.4 million), which was mainly attributable to the Enclosures & Components product line; adjusted for currency effects, growth reached 4.1%.

The System Solutions product line closed the 2021 business year with net sales of CHF 101.6 million (previous year: CHF 108.8 million), which was a decline of 6.7% or a minus of 5.8% after currency effects adjustments. While net sales in the USA in local currency increased slightly, Systems Solutions declined in both the Europe and Asia regions as a result of delivery delays for critical components. The Enclosures & Components product line increased its 2021 net sales by more than 30% from CHF 26.2 million to CHF 34.1 million; adjusted for currency effects, the increase was 31.6%. The Rotary Switches product line also had a strong year. Sales increased by 13.3% to CHF 13.6 million (previous year: CHF 12.0 million); adjusted for currency effects, the increase was 13.7%.

EBIT and net profit

The Elma Group closes the 2021 business year with a higher net profit of CHF 7.5 million (previous year: CHF 5.6 million), despite higher income tax charges, driven by the substantial higher profitability in the USA. The EBITDA increased significantly to CHF 12.3 million and an EBITDA margin of 8.2% respectively (previous year: CHF 9.9 million or 6.8%). EBIT also improved and reached CHF 9.1 million; the EBIT margin was 6.1% (previous year: CHF 6.6 million or 4.5%). The profit per share amounted to CHF 32.99 (previous year: CHF 24.44). The improved profitability is attributable to the operational improvements realized in the USA and significantly higher profit contributions achieved in Switzerland and Asia.

Strong balance sheet

As of December 31, 2021, the Elma Group reported total assets of CHF 97.6 million (previous year: CHF 91.8 million). The equity ratio increased to 51.8% (previous year: 46.4%). Net debts were further reduced by CHF 2.6 million to CHF 14.3 million (previous year: CHF 16.9 million). Cash fell by CHF 4.1 million, while bank liabilities were reduced by CHF 6.7 million.

The investments have paid off and contributed to a significant improvement in the operating profit of the Elma Group in 2021.

Operating cash flow

The operating cash flow amounted to CHF 5.7 million and was thus CHF 4.6 million behind the previous year (previous year: CHF 10.3 million). The decline in the operating cash flow was due to the fact that Elma gave high priority to ensuring its ability to deliver and therefore increased inventories by over CHF 6 million.

We strive for enhanced cooperation with technical universities to attract talented graduates and experts.

Successful growth strategy

In recent years, Elma has made substantial investments in the new industrial campus in Atlanta, USA, and in increasing the degree of automation in the Romania factory. The investments have paid off and contributed to a significant improvement in the operating profit of the Elma Group in 2021. These strategic measures will be continued, strengthen the Elma Group in the long term and create room for further profitable growth.

Elma has its roots in Wetzikon, Switzerland with an industrial centre and “think tank”. To continue our growth strategy, we are planning an area development project in Wetzikon. The aim is to transform the Swiss location into a modern industrial campus with a focus on system integration and electronic design. We strive for enhanced cooperation with technical universities to attract talented graduates and experts.

Long-term dividend policy

In recent years, the Board of Directors has set three requirements for a dividend payment: improved balance sheet structure, reduced net debts and an equity ratio of over 50%. In 2021, these three requirements were met, and the Board of Directors will propose a dividend payment in the amount of CHF 2.00 per share to the Annual General Meeting on April 21, 2022. This is the first dividend payment since 2008. In the future, Elma will strive for a sustainable and stable dividend policy and intends to distribute funds to its shareholders which are not required for the further development and expansion of business activities.

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Medium-term corporate goals

1. With the construction of a new building as an integral part of the overall site planning and related substantial investment in Wetzikon, the Swiss entity shall again become the heart of the Elma Group. These investments will strengthen the Elma Group's strategy of creating an environment for the collaboration with industrial partners and universities, which should support sustainable growth.
2. Elma wants to lay the foundation for an above-average growth with targeted acquisitions and partnerships.
3. Elma strives for a sustainable dividend policy with a continuous increase in dividend payments in order to offer shareholders attractive prospects in the medium to long term.

Innovation, research and development

Elma offers products and solutions from individual components to fully integrated systems. For us, innovation is one of the most important success factors to supply our customers in a wide variety of industries with market-oriented products and to promote profitable growth in all three regions and product lines. Elma is "Your Solution Partner".

Elma has developed two new innovative products for the megatrend Artificial Intelligence (AI). The "JetKit-3010 Board" and the "JetSys-5320" fit perfectly into existing ecosystems and offer a boost in computing power for AI applications, such as autonomous driving or transport and defense applications. More information on the Artificial Intelligence megatrend and Elma's solutions are described on pages 12 to 13.

We have developed two new innovative products for the mega-trend Artificial Intelligence (AI).

Elma USA has again received four Military & Aerospace Engineering Technology Innovation Awards. Honorees of the Technology Innovation Awards have made a pioneering contribution to the defense and aerospace industries and are recognized as leaders with innovative solutions and products. Three gold awards were received for our product innovations from the wide range of embedded computing systems. In addition, we received a silver award for a product from the Rotary Switches product line.

Sustainability

Sustainable development is critical in protecting the environmental, social and economic health and vitality and ensuring the long-term success of our company. A sustainable mindset helps us to make the right decisions for our customers, employees, suppliers, shareholders and our social network. Elma pursues a sustainability strategy that is shaped by personal responsibility, our own innovative strength and moral integrity.

In the short term, our focus is on protecting the health and safety of our employees and on securing the supply for our customers. Elma's values and our daily activities are the basis for trust in our company. The Code of Conduct and Ethics as well as the Anti-Bribery Compliance Policy describe our corporate culture and our shared values to which we are committed worldwide. They apply to all employees and management members in the Elma Group worldwide as well as to the Board of Directors. The Code of Conduct and the policies as well as the due diligence statement and the conflict materials reporting are available on our website. Direct link: <https://www.elma.com/en/who-we-are/quality-compliance/switzerland>

Elma is committed to sustainability and the group will contribute to net zero by 2050 or earlier in line with the Paris Agreement and the Swiss federal targets.

Elma is committed to sustainability and the group will contribute to net zero by 2050 or earlier in line with the Paris Agreement and the Swiss federal targets. During 2022, we will define the detailed plan to reach this goal by using science-based targets methodology that will cover scope 1, 2 and 3 CO₂ emissions equivalent. This strategic initiative will help the group to drive positive changes in the organisation and position the company for the next phase of its development.

In the medium term, we are committed to support the developments of the sustainability program as well as comply with the ESG factors (environmental, social, governance) and report them transparently. These include risks in our business activities in the areas of environment, social affairs, employee matters, human rights (e.g. prevention of child labor) and anti-bribery compliance.

Investments

The investments made in recent years have focused on increased automation and digitization as well as on optimizing productivity. In 2021, a total of CHF 3.5 million was invested in all regions (previous year: CHF 3.2 million). Around 57% of the investments were made in the Americas region, 38% in the Europe region and 5% in Asia.

Employees

The positive order volume led to an increase in personnel in 2021. The headcount of the Elma Group including temporary employees rose to 805 employees (FTE) at the end of 2021 (previous year: 778 FTE). In the Europe region, we employed a total of 440 people (previous year: 404), followed by the Americas region with an unchanged 298 employees and the Asia region with 67 employees; in the previous year there were 76 employees.

Change of Board of Directors in 2021 and 2022

The Board of Directors will propose to the 2022 Annual General Meeting to elect Bruno Cathomen as successor to Rudolf W. Weber who left the Board after the 2021 Annual General Meeting due to the age limit. As an independent member, he is an ideal choice with sound operational experience in leading positions in the industrial environment, most recently as CEO of the international Mikron Group. The election of Bruno Cathomen is a first step in renewing the Board of Directors and to ensure a consecutive succession as Board members Peter Hotz and Fred Ruegg will reach the statutory age limit in 2024.

The current four members of the Board of Directors, Martin Wipfli, Walter Häusermann, Peter Hotz and Fred Ruegg will stand for re-election at the 2022 Annual General Meeting. The Board of Directors will propose at the Annual General Meeting on April 21, 2022 to re-elect all members as well as re-elect Martin Wipfli as Chairman. In addition, the Board of Directors will propose to re-elect Fred Ruegg and Peter Hotz as members of the Compensation Committee.



Elma pursues a sustainability strategy that is shaped by personal responsibility, our own innovative strength and moral integrity.

Annual General Meeting 2022

On February 17, 2022, the Federal Council largely repealed the Covid-19 special situation ordinance. However, the previous exemptions for holding a general meeting can still be applied. If the situation does not drastically deteriorate again, we plan to conduct the Annual General Meeting on April 21, 2022 again with the shareholders attending in person. The company continues to offer all shareholders the opportunity to submit their voting instructions to the independent proxy, either in writing or electronically via the online platform of ShareCommService AG (shareholder's register). Details regarding the meeting as well as voting and instruction will be explained in the invitation to the 2022 Annual General Meeting.

Outlook

Elma has achieved many of their 2021 goals and started the 2022 business year again with a solid order backlog. Even though there are signs to return to a certain normality after two years into the Covid-19 pandemic, the medium-term effects on the global economy remain unpredictable from today's perspective. For this reason, Elma refrains from providing an outlook for 2022.

Special thanks

The Board of Directors and the Group Management thank our employees worldwide for their great commitment. With their know-how and dedication, they have contributed to Elma developing into a healthy and sustainably profitable company. Special thanks go to our customers and business partners for their trust and their valuable cooperation. We would like to thank you, dear shareholders, for your continuous support in 2021.

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 and partnerships, 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”) and geopolitical shifting.

Elma aims to improve results significantly in the medium term and achieve an organic growth each year. Through selective acquisitions and partnerships, Elma exploits additional growth potential.

Develop and expand the systems business and expand the customer base and design-ins for the Electronic Packaging and 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.

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.

In the Americas region, demand for Elma's complex system solutions and electronic cabinets grew significantly in 2021. The Americas region increased net sales in local currency by 10.3%. Thanks to Elma's high level of expertise, new significant design-ins in the defense industry were won and implemented. The operational processes were optimized which enabled the higher output. The industrial campus in Atlanta acquired in 2019 strengthened the production know-how and was further aligned towards the automation of industrial sheet metal production. The region makes a significant contribution to strengthening the Elma Group.

In the Americas region, demand for Elma's complex system solutions and electronic cabinets grew significantly in 2021.

For the fifth year running, Elma has been recognized in the US Military & Aerospace Engineering Technology Innovator Awards program. Three gold awards included various product innovations across several different channels of Elma's broad and diverse embedded computing business, such as the new 3U VPX development platform "Compac Frame". In addition to the three gold awards, Elma received silver for its robust "MR50" selector switch, which offers precise selection with up to 16 selector switch positions. Further information is available at <https://www.elma.com/en/who-we-are/awards>.

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.

Europe saw significantly higher demand for embedded packaging solutions and components in the industrial sector, enabling the Swiss company to increase its net sales by over 7%. The activities in Germany, France, UK and Israel – all mainly driven by the system solutions business – flattened as a result of the bottlenecks in the supply chains and project delays. Overall, a 5.1% decline in sales was recorded in the Europe region.

To continue Elma's growth strategy, an area development project is planned at the Swiss location.

Thanks to Elma's know-how as well as the successful cooperation with the largest developer of graphics processing and chip units for professional visualization, support for data centers and the automotive market, the product range in the field of Artificial Intelligence was expanded.

To continue Elma's growth strategy, an area development project is planned at the Swiss location. The aim is to transform the headquarters into a modern industrial campus with a focus on system integration and electronic design.

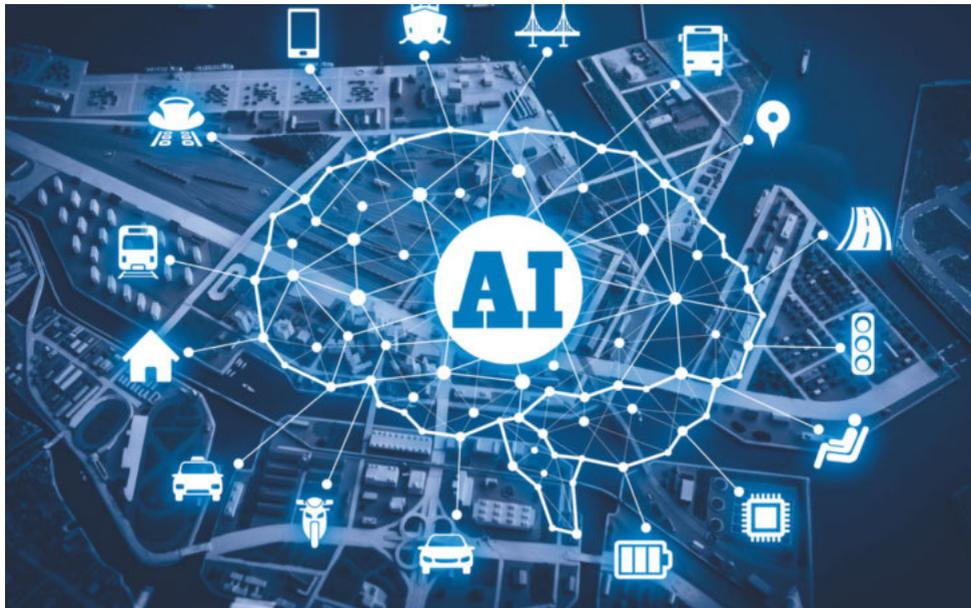
Asia

Elma is represented in Asia with three subsidiaries in China, Singapore and India. The Sales organization in Singapore is responsible for the market development in Southeast Asia. The subsidiary in China primarily supplies the region with a wide range of locally produced enclosures and components in Elma's high quality. The company in India specializes in sophisticated electronic design and software solutions.

The Asia region increased net sales by 1.7%, mainly driven by the Enclosure & Component business. In China, there was increased demand for systems for the industrial automation, aerospace and transportation industries, which require customized and high-quality solutions in different architectures (VME, VPX, CPCI). In order to support Elma's growth strategy, the market expansion will be accelerated in a first phase in Taiwan.

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Artificial Intelligence – What AI Means for Elma



Megatrends such as Artificial Intelligence (AI) are important drivers of new technical developments. As a provider of complete solutions, Elma has been developing innovative systems for their customers' AI applications for many years. Elma sees current reference projects in of autonomous driving as well as automated object and pattern recognition for industry and defense applications as an impulse to take on this challenge in the product developments.

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Interesting facts about AI and the trend

AI means that very simple decisions made by humans for analytical use of their knowledge and their body of experience are entered into a computer. These abilities are sometimes trivial for humans, but only possible for a computer if the knowledge is available in the form of proven examples and patterns. The data enable the computer to understand by using the so-called machine learning and draw a coherent conclusion. This requires high-performance computing engines, which are available in graphics applications and the specialized GPU architectures; they form the basis of these new AI modules. All of these functions and algorithms, together with a suitable software environment and ultimately deep learning via neural networks are the engine of AI.

Graphical analyses, i.e. the image recognition of camera-supported systems, are only the beginning and other areas of application are already in the starting blocks and will further advance the AI technology.

Elma's expertise in AI

Elma's existing expertise, such as high-speed design for electronic assemblies and the "packaging" of electronics, both as product solutions designed for industrial use and for rugged applications, will be part of the new product generation. An important advantage is Elma's know-how in the cooling of systems, especially in harsh environments.

Elma currently uses the Embedded Jetson™ modules offered by Nvidia™ as an independent platform as the core of the AI applications, which are supported by an active and constantly growing development environment from the open-source community. As part of the embedded developer environment and as a partner for reference projects, Elma is on the cutting edge and already integrated into the roadmap for the next technologies and product generations.

As part of the embedded developer environment and as a partner for reference projects, Elma is on the cutting edge.

Elma's products

Based on the Nvidia Jetson TX2 module, the "Jetsys-5320" represents a high-performance ready-to-run system platform as a so-called small form factor, which was developed and tested according to the relevant requirements.

The award-winning product offers the ideal platform for use in rugged and challenging environments. The "JetKit-3010" is an important building block for system solutions, used in the classic 19" CompactPCserial™ world in industrial and transportation environments. The product uses Nvidia Jetson™ AGX module and represents the "top level" of performance-efficient AI modules currently available on the market. The variety of interfaces enables a large field of application for this classic 19" plug-in module.



Elma – Your Solution Partner

Elma responds to the growing market demand, driven by the rapid new AI developments, with more product solutions for various areas of application. Elma is well equipped for the growing trend in AI solutions and rises to the challenge of exciting customer projects as "Solution Partner".

Highlights 2021

Megatrend Artificial Intelligence

Megatrends such as Artificial Intelligence (AI) are important drivers of new technical developments. As a provider of integrated solutions, Elma has been developing innovative systems for use in their customers' AI applications for many years. Elma recognizes recent reference projects in autonomous driving as well as in automated object and pattern recognition for the industrial automation and defense sector as an impulse to take on this challenge in their product development.



Innovative Solutions

Elma has developed two new innovative products for the megatrend Artificial Intelligence (AI). The "JetKit 3010 Board" fits perfectly into an existing CompactPCI Serial ecosystem and offers a boost in computing power for AI applications such as autonomous driving. The second product "Jetsys-5320" increases visual intelligence throughout transportation and defense applications, including high-resolution sensor systems. Both products are based on Nvidia™ Jetson technology.

Innovation Awards

For the fifth year running, Elma has been recognized in the US Military & Aerospace Engineering Technology Innovator Awards program. Three gold awards included various product innovations across several different channels of Elma's broad and diverse embedded computing business. Elma earned a silver award for a product from the Rotary Switches product line.



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.

Elma expanded their development platforms with the 3U VPX “CompacFrame” with up to eight slots. This larger platform was designed to accelerate testing and development of plug-in cards (PICs) based on Sensor Open Systems Architecture Standards (SOSA) or any openVPX backplane. In 2021, the innovative solution received a gold award of the Military & Aerospace Engineering Technology Innovation Program.

Elma has supplemented the megatrend Artificial Intelligence (AI) with two new innovative products. The “JetKit 3010 Board” fits perfectly into an existing CompactPCI Serial ecosystem and offers a boost in computing power for AI applications such as autonomous driving. The second product “Jetsys-5320” increases visual intelligence in all transportation and defense applications, including high-resolution sensor systems. Further information on Elma’s solutions in the field of artificial intelligence can be found on pages 12 to 13 of this Executive Report.

Enclosures & Components

As a manufacturer of components for industrial embedded packaging solutions and electronic cabinets, Elma offers standard products, modified standard products as well as customized solutions to meet the highest quality standards.

In 2021, there was increased demand in the Europe and Asia regions. Elma has expanded the range of 3D configurators. As a new feature, front panels for customized enclosures as well as for 19-inch plug-in units can be designed online and an offer can be requested with a simple mouse click.

The range of electronic cabinets for use in rugged environments completes the range of the Enclosures & Components product line and recorded great demand and significantly higher net sales in 2021. The product line experienced substantial growth.

Rotary Switches

The rotary switch portfolio offers customers a wide range of high-quality deployment solutions. The proven rotary switch applications of selector switches, coding switches and encoders are mainly used in technical rescue equipment, secure communication technology as well as in defense applications.

The investments made in recent years to increase the degree of automation in the Romania factory and the increase of skilled employees have led to a boost in output and shorter delivery times. The digitization and automation of the encoder lines “E18” and “E33” was continued and a further step towards traceability in the development and production process was achieved. Traceability is particularly relevant in the development of safety-critical platforms when standards and guidelines require traceability to be recorded and thus prove that critical requirements have been implemented and validated.

Hi-Fi Sound Experience in British Quality



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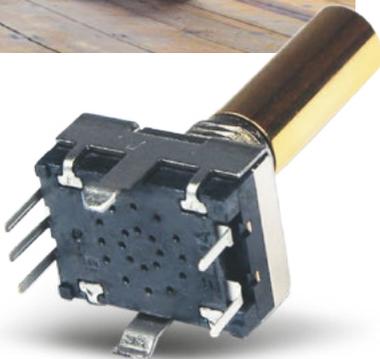


Music is ever present. It shapes who we are. It inspires us, changes us, moves us. Our customer Cambridge Audio wants music lovers to hear their favorite music at its very best – as the artist intended it to be heard, with nothing added, nothing taken away.

Cambridge Audio is an award-winning London based designer and manufacturer of high-quality audio equipment, crafting innovative, transparent-sounding and beautifully engineered British audio products for over 50 years.

Cambridge Audio has chosen Elma's Encoder E18 for their new integrated amplifier Evo 150, a state-of-the-art streaming platform in a slimline design. The customized switch ensures a smooth tactical feel, with detents removed, to make the listening experience better. From music lovers to music lovers.

www.cambridgeaudio.com



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Consolidated Balance Sheet Elma Group

at December 31

Assets

in CHF 1,000	2021	2020
Current assets		
Cash	6,496	10,619
Trade accounts receivable	23,705	20,820
Other short-term accounts receivable	1,158	1,126
Inventories	37,126	30,545
Prepayments and accrued income	1,008	1,254
Total current assets	69,493	64,364
Non-current assets		
Tangible assets	22,137	23,426
Deferred tax assets	2,708	2,339
Other financial assets	177	172
Intangible assets	3,065	1,502
Total non-current assets	28,087	27,439
Total assets	97,580	91,803

Consolidated Balance Sheet Elma Group

at December 31

Liabilities and equity

in CHF 1,000

	2021	2020
Liabilities		
Current liabilities		
Short-term bank debts	2,286	6,716
Trade accounts payable	10,101	9,388
Other current liabilities	5,446	4,173
Short-term provisions	3,554	2,605
Accrued liabilities and deferred income	5,643	4,507
Total current liabilities	27,030	27,389
Non-current liabilities		
Long-term bank debts	8,500	10,786
Subordinated loan	10,000	10,000
Other long-term liabilities	40	25
Deferred tax liabilities	415	429
Long-term provisions	1,018	583
Total non-current liabilities	19,973	21,823
Total liabilities	47,003	49,212
Equity		
Share capital	2,513	2,513
Capital reserves	8,388	8,388
Retained earnings	39,676	31,690
Total equity	50,577	42,591
Total liabilities and equity	97,580	91,803

Consolidated Income Statement Elma Group

in CHF 1,000	2021	2020
Net sales from goods and services	149,277	147,036
Cost of goods sold	-106,201	-108,335
Gross profit	43,076	38,701
Sales and Marketing expenses	-18,769	-18,351
Administrative expenses	-12,397	-11,088
Research and development expenses	-2,657	-2,297
Other operating income	1,002	846
Other operating expenses	-1,202	-1,256
Operating income (EBIT)	9,053	6,555
Financial result	-453	-553
Ordinary result	8,600	6,002
Non-operating result	214	399
Profit before income taxes (EBT)	8,814	6,401
Income taxes	-1,275	-817
Net profit	7,539	5,584
Net profit per share in CHF	32.99	24.44

Consolidated Cash Flow Statement Elma Group

January 1 to December 31

in CHF 1,000	2021	2020
Cash flow from operating activities		
Net profit	7,539	5,584
Income taxes	1,275	817
Financial result	453	553
Adjustments for		
Depreciation of tangible assets	3,021	3,258
Amortization of intangible assets	206	126
Change in provisions	1,360	330
Net profit from disposal of tangible assets	–	–11
Other non-cash-effective income and expenses	–	1
Changes in net working capital		
Inventories	–6,378	151
Trade accounts receivable	–2,571	1,351
Other short-term accounts receivable and prepaid expenses	181	190
Trade accounts payable	359	–1,355
Other short-term payables and accruals	2,215	196
Income taxes paid	–1,465	–300
Interest expenses paid (net)	–456	–565
Total cash flow from operating activities	5,739	10,326
Cash flow from investing activities		
Purchase of tangible assets	–1,775	–1,749
Disposal of tangible assets	158	18
Purchase of intangible assets	–1,465	–1,200
Changes of other financial assets	–5	12
Total cash flow from investing activities	–3,087	–2,919
Cash flow from financing activities		
Repayment of short-term bank debts	–6,686	–3,733
Issuance of long-term bank debts	–	8,500
Repayment of long-term bank debts	–	–8,480
Total cash flow from financing activities	–6,686	–3,713
Effects of exchange rate on cash	–89	–298
(Decrease)/increase in cash	–4,123	3,396
Cash at January 1	10,619	7,223
Cash at December 31	6,496	10,619

Balance Sheet Elma Electronic AG, Switzerland

at December 31

Assets

in CHF 1,000	2021	2020
Current assets		
Cash	692	3,281
Trade current accounts receivable		
– Group companies	3,483	2,963
– Third parties	4,577	3,016
Other accounts receivable		
– Group companies	872	3,614
– Third parties	471	416
Inventories	13,126	10,406
Prepayments and accrued income	133	360
Total current assets	23,354	24,056
Non-current assets		
Financial assets		
– Investments	18,880	20,155
– Loans to Group companies	908	1,977
– Other financial assets	10	10
Tangible assets	8,463	9,183
Intangible assets	79	132
Total non-current assets	28,340	31,457
Total assets	51,694	55,513

Balance Sheet Elma Electronic AG, Switzerland

at December 31

Liabilities and equity

in CHF 1,000	2021	2020
Liabilities		
Current liabilities		
Short-term interest-bearing liabilities	2,286	6,716
Trade accounts payable:		
– Group companies	800	572
– Third parties	2,182	1,817
Other current liabilities:		
– Group companies	216	4
– Third parties	758	215
Accrued liabilities and deferred income	1,889	1,434
Total current liabilities	8,131	10,758
Non-current liabilities		
Non-current interest-bearing liabilities		
– Bank debts	8,500	10,786
– Subordinated loan	10,000	10,000
Provisions	458	24
Total non-current liabilities	18,958	20,810
Total liabilities	27,089	31,568
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	7,805	7,145
Total equity	24,605	23,945
Total liabilities and equity	51,694	55,513

Income Statement Elma Electronic AG, Switzerland

in CHF 1,000	2021	2020
Net sales from goods and services	44,226	41,613
Income from services	2,756	2,745
Total income	46,982	44,358
Material expenses	-25,750	-25,745
Personnel expenses	-13,475	-12,686
Other operating expenses	-4,181	-3,895
Depreciation	-1,079	-1,199
Other operating income	462	294
Gain from disposal of fixed assets	-	12
Operating income (EBIT)	2,959	1,139
Financial income	53	183
Financial expenses	-443	-532
Revaluation on investments	-1,275	-250
Amortization of loans to Group companies	-595	-
Ordinary result	699	540
Non-operating result	43	240
Net profit before taxes (EBT)	742	780
Taxes	-82	-53
Net profit	660	727

Appropriation of Retained Earnings

Retained earnings

Retained earnings will be proposed to the Annual General Meeting on April 21, 2022 as follows:	2021 in CHF 1,000	2020 in CHF 1,000
Retained earnings carried forward from previous year	7,145	6,418
Net profit	660	727
Retained earnings	7,805	7,145

Proposal of the Board of Directors

for the appropriation of retained earnings	2021 Proposal of the Board of Directors in CHF 1,000	2020 Proposal of the Board of Directors in CHF 1,000
Retained earnings	7,805	7,145
Dividend distribution of CHF 2.00 per share	-457	-
To be carried forward	7,348	7,145
Retained earnings	7,348	7,145

Since the capital reserves have been reached, no further statutory reserves will be formed when distributing the dividend.

Multi-Year Overview Elma Group

in CHF 1,000	Swiss GAAP FER				
	2021	2020	2019	2018	2017
Order income	160,308	153,288	158,994	148,626	143,201
Net sales	149,277	147,036	151,155	145,981	143,978
EBITDA	12,280	9,938	9,552	10,221	9,687
EBITA	9,053	6,555	6,408	7,236	6,951
EBIT	9,053	6,555	6,408	7,236	6,951
Net profit	7,539	5,584	5,111	5,613	3,009
in % of average equity (ROE)	16.2	13.5	13.5	16.9	10.3
Depreciation of tangible assets	3,021	3,258	3,057	2,780	2,517
Amortization of intangible assets	206	126	87	204	219
Investments in tangible assets	1,718	1,872	14,175	2,448	3,166
Investments in intangible assets	1,740	1,348	44	1	86
Cash flow from operating activities	5,739	10,326	7,774	5,713	4,815
Cash flow from investment activities	-3,087	-2,919	-14,206	-2,393	-3,186
Free cash flow	2,652	7,407	-6,432	3,320	1,629
Cash flow from financing activities	-6,686	-3,713	6,837	-3,823	911
Non-current assets	28,087	27,439	28,886	18,387	19,395
thereof tangible assets	22,137	23,426	26,131	15,469	15,908
Current assets	69,493	64,364	65,184	63,445	66,164
thereof cash and cash equivalents	6,496	10,619	7,223	6,905	7,416
Balance sheet total	97,580	91,803	94,070	81,832	85,559
Equity	50,577	42,591	40,071	35,865	30,460
in % of balance sheet total	51.8	46.4	42.6	43.8	35.6
Non-current liabilities	19,973	21,823	23,797	19,013	20,792
Current liabilities	27,030	27,389	30,201	26,954	34,307
Total financial liabilities	20,786	27,502	31,209	24,383	28,216
Net financial debts (financial liabilities less cash balances)	14,290	16,883	23,986	17,478	20,800
ROCE (EBIT/Capital Employed) in %	12.8	10.2	10.0	13.2	13.6
Indebtedness factor (net interest-bearing liabilities/EBITDA)	1.2	1.7	2.5	1.7	2.1
Headcount (FTE) end year	805	778	773	766	735
Headcount (FTE) average	783	772	773	751	725
Net sales per employee (average)	191	191	196	194	198

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 2021, the depreciation amounted to a total of CHF 3.2 million (previous year: CHF 3.3 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 21, 2022

Annual General Meeting

August 15, 2022

Half-Year Report at June 30

Annual Report 2021

The Annual Report 2021 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.

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