



EXECUTIVE REPORT 2022

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.

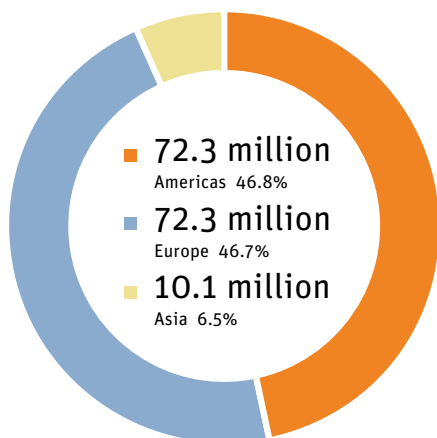
Elma also provides enclosure solutions and high-quality rotary switches for demanding applications for electronic companies. The company has a broad base of proven standard products which can be tailored to individual applications: Elma offers services from the initial concept to volume production.

Elma's reliable solutions, flexibility, and design expertise are key reasons why the leading companies in the world choose Elma time and again – for your values.

Elma's corporate values are Progress, Sincerity, Collaboration and Ownership. These values are the guiding principles of how Elma operates as a company. All employees and management members across the Elma Group as well as the Board of Directors are committed to the shared values.

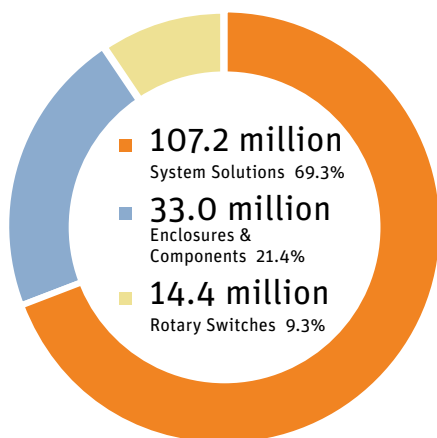
Net sales by region

in CHF and %



Net sales by product line

in CHF and %



154.7

million CHF
net sales

4.2

million CHF
profit

51.7%

Shareholders' equity

167.8

million CHF
order income

Key Figures 2022

Elma Group Key Figures

in CHF 1,000	2022	2021
Order income	167,849	160,308
Net sales	154,665	149,277
EBITDA	8,305	12,280
in % of net sales	5.4	8.2
EBIT	4,572	9,053
in % of net sales	3.0	6.1
Profit	4,156	7,539
in % of net sales	2.7	5.1
in % of average equity	8.0	16.2
Cash flow from operating activities	6,913	5,739
Balance sheet total	104,204	97,580
Shareholders' equity	53,873	50,577
in % of balance sheet total	51.7	51.8
Headcount year end in FTE (incl. temporary employees)	813	805

The Alternative Performance Measures are described on page 35 of this Executive Report or on Elma's website at the following link: www.elma.com/en/investors/company-profile/alternative-measures

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The people at Elma: Elma has been able to count on highly motivated employees for many years. We introduce some of our employees whose know-how and commitment make such a valuable contribution to the innovative strength and success of the Elma Group worldwide.

Management Letter

Dear Shareholders,

The year 2022 was challenging for the Elma Group due to geopolitical and economic uncertainties. Nevertheless, the business transformation was driven forward, and we achieved important milestones on the way to sustainable, profitable growth. Order income and net sales increased again in the reporting year; the good demand reflects the great trust that our customers have in our products and services. A solid equity ratio of over 50% and the continuous reduction in net debts reflect the strong balance sheet structure in 2022.

In 2022, the ongoing supply chain problems, a two-month lockdown in China, rising raw material and energy prices and high inflation rates posed a major challenge for many companies, including Elma. Despite these challenges, we managed to close the business year with a solid profit. We adhere to our growth strategy and will continue to implement the strategic measures and investments that have already been initiated. We have further modernized our factories and increased the level of automation in all our regions. Technological progress, the deepening of our professional skills, the active participation in technological advisory boards and the subsequent application in customer projects will drive our growth in the future. We thus strengthen the Elma Group and create potential for profitable growth in all regions.

With our attractive range of products and services – aligned in partnerships with our customers – we are well positioned to continue increasing our profitability with demanding system solutions in the future. With a clear focus on profitable, innovative and complex projects, we were able to win various strategically relevant orders with an improved risk and margin profile in 2022. This proves our customers' confidence in our technological capabilities. Thanks to our expertise and experience as well as our wide range of services, we are in the right position.

By joining the prestigious Science Based Targets initiative (SBTi) in early 2022, Elma has committed to set near-term company-wide emission reductions by using science-based methodology. Elma is now one of the top 4,000 companies worldwide that have made this commitment. We will continue our initiatives to support the development of the sustainability program and to comply with ESG factors (Environmental, Social, Governance).

Thanks to the positive annual results and a solid equity ratio, the Board of Directors will propose to the 2023 Annual General Meeting a dividend payment of CHF 2.00 per share.



Martin Wipfli, Chairman, and **Thomas Herrmann**, CEO

On behalf of the Board of Directors and Group Management, we would like to thank all employees for their great commitment over the past year and our shareholders for their trust. Our thanks also go to our valued business partners and customers, who place their trust in us with their orders to prove our know-how and thus make a significant contribution to the successful development of the Elma Group.

Martin Wipfli
Chairman

Thomas Herrmann
CEO

Solid results in a challenging environment

- Order income of CHF 167.8 million increased by 4.7% (adjusted for currency effects: 4.5%, previous year: CHF 160.3 million)
- Net sales of CHF 154.7 million grew by 3.6% (adjusted for currency effects: 3.0%, previous year: CHF 149.3 million)
- Significant improvement in profitability in the second half of 2022
- For full year lower EBIT of CHF 4.6 million (previous year: CHF 9.1 million) and profit of CHF 4.2 million (previous year: CHF 7.5 million)
- Net debts reduced by 3.7 million to CHF 10.6 million (previous year: CHF 14.3 million)
- Equity ratio of 51.7% (December 31, 2021: 51.8%)
- Board of Directors proposes the Annual General Meeting a dividend payment of CHF 2.00 per share (previous year: CHF 2.00 per share)
- Partnerships with technology partners strengthened

In 2022, the Elma Group again increased both order income and net sales. The challenges in the global supply chains and increasing material and energy prices reduced the company's profit. Elma was still able to close the business year with a solid result and the Board of Directors will propose to the Annual General Meeting the same dividend payment as last year.

Market trends

In 2022, the Elma Group has effectively coped with the ongoing geopolitical uncertainties, the supply bottlenecks as well as the shortages of qualified workers, raw materials and electronic

components. The strong and high-grade order income reflects the great trust that customers have in Elma.

The performance of the Elma Group improved in the second half of 2022 compared with the first half of the year. In particular, profitability improved significantly in the second half of 2022 compared with the first six months. The Americas region was able to significantly reduce the loss reported as of June 30, 2022 through the constant optimization of its production processes and personnel reinforcements; nevertheless, the Elma Group closed the reporting year with a lower profit than in the previous year.

Overall, the Europe region showed a positive development in the area of robust system solutions. Switzerland benefited from a multi-year framework order with Armasuisse for 4,000 power supply solutions. The subsidiary in Germany was directly affected by the sanctions imposed on Russia by the EU; however, they have managed to win an important system order from the automotive industry applied in autonomous driving. The Elma company in the UK had a very successful business year and was able to significantly improve all of the previous year's parameters.

The companies in the USA were severely affected by the tense situation on the labor market and the difficulties in procuring materials, which led to considerable delays in deliveries and a drop in net sales.

In China, Elma had to close its factory in Shanghai for more than two months due to a Covid lockdown ordered by the authorities, which was reflected in significantly lower emissions.

Business Results 2022

Order income

The positive trend in recent years for orders received continued in 2022. The Elma Group increased again orders by 4.7% to CHF 167.8 million (previous year: CHF 160.3 million); adjusted for currency effects, they improved by 4.5%. This was mainly due to the high demand of innovative system solutions in the Europe region. Orders are recorded as order income only if delivery will take place within the next six months.

In the Europe region, a noticeably higher demand was recorded in Switzerland, Germany, France, the UK, and Israel in 2022. Order income in the Europe region – which accounts for almost half of the group-wide order intake – rose by 8.5% to CHF 83.4 million (previous year: 76.8 million); adjusted for currency effects, the increase was even 12.3%. The Americas region recorded a 3.5% increase in orders; in local currency, orders were down slightly by 0.5% at USD 76.3 million (previous year: USD 76.7 million). In the Asia region, which contributes around 7% to the total order intake of the Elma Group, orders fell by 10.7% to CHF 11.9 million (previous year: CHF 13.3 million) due to the two-month lockdown in China in April and May 2022 and the still tense Covid situation in the second half of 2022; adjusted for currency effects, this corresponds to a decline of 14.2%.

Net sales

Net sales 2022 of the Elma Group grew by 3.6% to CHF 154.7 million (previous year: CHF 149.3 million); adjusted for currency effects, a global growth of 3.0% was achieved. The growth is mainly due to the high demand in Europe. The Europe region recorded higher net sales across Elma's entire product range: System Solutions, Enclosures & Components, and Rotary Switches.

The region improved net sales by 15.5% to CHF 72.3 million (previous year: CHF 62.5 million); adjusted for currency effects, the increase was 19.2%.

The Americas and Asia regions were severely impacted by the difficult conditions in the procurement of electronic components, the shortage of qualified staff and production downtime in China (lockdown). Despite a solid order pipeline, this led to delays in deliveries and thus to lower net sales. In the Americas region, net sales decreased by 2.4%; in local currency, the decline was 6.2% to USD 76.1 million (previous year: USD 81.1 million). In the Asia region, net sales dropped 20.1% to CHF 10.1 million (previous year: CHF 12.6 million); adjusted for currency effects, they decreased by 23.2%.

The System Solutions product line closed the business year with net sales of CHF 107.2 million (previous year: CHF 101.6 million), exceeding the previous year by 5.5%; adjusted for currency effects, growth was 4.8%. While net sales of System Solutions increased strongly in Europe, they declined in the USA and Asia. After a good start into 2022 for the Enclosures & Components product line, demand dropped in the second half of the year. Net sales decreased by 3.0% to CHF 33.0 million (previous year: CHF 34.1 million). Adjusted for currency effects, the decline was 4.0%, which is mainly attributable to the lockdown at the Shanghai factory. The Rotary Switches product line continued the growth path of recent years, particularly in Switzerland and Germany, and improved net sales by 5.9% to CHF 14.4 million (previous year: CHF 13.6 million); adjusted for currency effects, the increase was 7.1%.

EBIT and profit

The Europe region benefited from the increasing demand for Elma's advanced system solutions and was able to significantly increase its profit contribution compared with the previous year. The first deliveries of the large order from Armatisuisse for power supplies for the Swiss army contributed to this result, but also the continued solid performance of the UK company, which achieved record results.

Throughout 2022, the Americas region was confronted with shortages in the supply chain and high staff turnover in production. Despite these challenges, the region managed to correct the high operating loss as of June 30, 2022 and to present a balanced result at the end of the year. The Asia region made a positive contribution to the overall result despite the severe drop in net sales as a result of the lockdown in Shanghai and closed the business year with a profit.

Thanks to operational improvements and higher profitability in the second half of 2022, the Elma Group closed the business year 2022 with a profit of CHF 4.2 million (previous year: CHF 7.5 million), even though profit at June 30, 2022 was reported at CHF 1.4 million only. EBITDA stood at CHF 8.3 million with an EBITDA margin of 5.4% (previous year: CHF 12.3 million or 8.2%) and EBIT was CHF 4.6 million with a margin of 3.0% (previous year: CHF 9.1 million or 6.1%). Earnings per share amounted to CHF 18.19 (previous year: CHF 32.99).

Strong balance sheet

As of December 31, 2022, the Elma Group reported total assets of CHF 104.2 million (previous year: CHF 97.6 million). The equity ratio remained stable at 51.7% (previous year: 51.8%). Net debts were reduced by 3.7 million to CHF 10.6 million (previous year: CHF 14.3 million); bank liabilities of CHF 1.3 million were repaid, while cash increased by CHF 2.4 million compared with the previous year.

Operating cash flow

The operating cash flow amounted to CHF 6.9 million and thus closed CHF 1.2 million higher than in the previous year (previous year: CHF 5.7 million).

Investments

The investments made in recent years have focused on increased automation and digitization as well as on optimizing productivity. In 2022, a total of CHF 2.3 million was invested in all regions (previous year: CHF 3.5 million). Around 60% of investments were made in the Europe region, 38% in the Americas region and 2% in Asia.

Added Value through sustainable Growth Strategy

Employees

In order to implement the growth strategy of the Elma Group and to further strengthen the company's competitiveness, the need for additional and new specialists and skills is increasing. The headcount of the Elma Group including temporary employees rose to 813 employees (FTE) at the end of 2022 (previous year: 805 FTE). In the Europe region, Elma employed a total of 456 people (previous year: 440 employees), followed by the Americas region with 291 employees (previous year: 298) and the Asia region with 66 employees; in the previous year there were 67 employees.

Long-term dividend payment

Elma strives 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. In recent years, the Board of Directors set three requirements for a dividend payment: improved balance sheet structure, reduced net debts and an equity ratio of over 50%. All three conditions were met in 2021 and 2022. Therefore, the Board of Directors will again propose a dividend payment of CHF 2.00 per share to the Annual General Meeting in April 2023.

Medium-term corporate goals

Elma is adhering to its growth strategy and will continue the previously initiated strategic measures and investments. This will strengthen the Elma Group and create potential for profitable growth in all regions. Elma aims to be an attractive employer for its employees and a reliable solution partner for its customers. In order to attract talented graduates and experts, Elma strives for an enhanced cooperation with technical colleges and universities.

Based on these principles, Elma has formulated its objectives for the next few years:

1. Area development with a new building at the Wetzikon location, with the aim of transforming the Swiss parent entity into a modern industrial campus. Focus is on further developing and expanding system integration and electronic design in Switzerland.
2. Additional growth through targeted acquisitions and partnerships.
3. Sustainable dividend policy, even in difficult times, 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. Innovation is one of the most important success factors to supply 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». The three product lines all made positive profit contributions in 2022 and were successful with the development of innovative solutions and the launch of new products.

Elma presented the new design enclosure “Compact Case 20 Embedded”, which is specially designed for applications with embedded controllers and other electronic applications. The Compact Case 20 can be designed in the Elma online configurator with user-specific dimensions and requirements.

Elma has also expanded the selection of popular chassis and development platforms available through the company’s Express List offering. A broader range of chassis platforms supporting the new SOSA™ standard and OpenVPX are now part of the program. These developments support the trend in the standardization of electronic systems using open standards to increase interoperability, scalability and reliability.

The development of system solutions for applications in Artificial Intelligence was continued; Elma’s products “JetKit-3010-Board” and “Jetsys-5320” are used by customers in areas such as autonomous driving, automated object and pattern recognition or for high-resolution sensor systems for industrial automation and defense.

In the USA, Elma was again recognized with three Military & Aerospace Engineering Technology Innovation Awards in 2022. Honorees of the Technology Innovation Awards have made pioneering contributions to the defense and aerospace industries and are leaders with their innovative solutions and products. In addition to gold and silver awards, Elma received the prestigious platinum award for a VPX development platform that passed the test of 3U boards for the open system standard Modular Open Standards Approach (MOSA) for use in SFF form factors. More awards were received for the mechanical incremental encoder “E18” (rotary switch) as well as for the system development platform “Net-Sys-5312”.

Elma is convinced that supporting students in the field of engineering sciences is an optimal opportunity to drive innovation with an interdisciplinary approach. Elma supports a project by ETH Technical University Zurich in Switzerland for the development of Hyperloop Pods (high-speed transport systems).

Sustainability

Elma is committed to sustainability and will comply with ecological, economic, social and corporate standards (ESG factors) in the interests of sustainable development of the company. Elma is committed to ensuring the safety of its employees, respecting human rights and thus also preventing child labor, conserving natural resources and reducing environmental impact. To underline its commitment to renewable energy, Elma has become one of the main sponsors for “SolarButterfly”, a self-sufficient solar powered mini-house, using the power of the sun to travel around the world from 2022 to 2025.

The company has had a code of conduct and ethics for many years, which is reviewed and adjusted on a regular basis, the last time in 2022. These guidelines contain the standards for the behavior of all employees, the values for which Elma stands as well as clear rules for preventing and combating bribery and corruption. Elma maintains high quality standards, which are reflected in the entire product range, from system solutions to individual products and services. The quality management is certified at the level of the local companies.

More information about the values and mission of Elma and its sustainability strategy can be found in a separate chapter on pages 18 to 21 of this Annual Report.

Change of Board of Directors in 2022

The 2022 Annual General Meeting elected Bruno Cathomen as a new member of the Board of Directors. 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 in 2024.

Annual General Meeting 2023


The current five members of the Board of Directors Martin Wipfli, Walter Haeusermann, Peter Hotz, Fred Ruegg and Bruno Cathomen will all stand for re-election at the 2023 Annual General Meeting. It will be the last term in office for Peter Hotz as he will not stand for re-election in 2024.

The Board of Directors will propose to the Annual General Meeting to re-elect all members of the Board of Directors 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.

Due to the Corporate law reform, which has been in force since January 1, 2023, there is a need to amend the company's articles of association. The Board of Directors will therefore submit the revision of the articles of association to its shareholders for approval; the wording of the amendment will be published in the invitation to the Annual General Meeting.

Outlook

Elma started the 2023 business year with a high order backlog and will continue the business transformation process. Geopolitical uncertainties, a global economic slowdown expected for 2023, high inflation rates and the low visibility on the development of energy and raw material prices make a reliable forecast difficult. Elma therefore refrains from providing an outlook.

A woman with long dark hair, wearing a dark blue zip-up jacket, is looking down in a warehouse setting. In the background, there are green metal shelving units filled with numerous black plastic storage bins. The lighting is soft and even.

“Elma Electronic provided me an exciting and versatile apprenticeship in the commercial field and today allows me to work part-time to also achieve my athletic goals.”

Michelle Blöchliger, Buyer
Elma Electronic AG, Wetzikon, Switzerland



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 five 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.

Mission of the Elma Group:
"To enable a safer and sustainable world by providing solutions for data processing in demanding environments."

Operational Excellence

By constantly upgrading our production sites, optimizing core processes, investing in digitization and automation as well as permanently improve quality, Elma strives for "Operational Excellence". The focus is on customers and their needs.

Develop and expand the systems business, 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.

Highlights

Platinum award for Innovation

Elma was again recognized with three Military & Aerospace Technology Innovation Awards in 2022. Honorees have made pioneering contributions to the defense and aerospace industries and are leaders with their innovative solutions and products. In addition to gold and silver awards, Elma received the prestigious platinum award for a VPX development platform that passed the test of 3U boards for the open system standard Modular Open Standards Approach (MOSA) for use in SFF form factors.



Innovative contribution to Sustainability

In 2022, Elma began collaborating with “Solar-Butterfly”, a self-sufficient, solar-powered mini-house that travels around the world powered by the sun. SolarButterfly is an awareness campaign for a sustainable lifestyle and has already traveled 25,293 km through 27 European countries. The vehicle will continue its journey through North America in 2023, aiming to visit more than 90 countries worldwide. SolarButterfly is an impressive example of what can be achieved with today’s technology. Elma makes a contribution to innovation and sustainability.

Innovative solutions for customers

Elma presented the new design enclosure “Compact Case 20 Embedded”, which is specially designed for applications with embedded controllers and other electronic applications. The Compact Case 20 can be designed in the Elma online configurator with user-specific dimensions and requirements.



Regions

Elma Electronic is a global leader in embedded computing solutions, including integrated chassis platforms, boards, backplanes, modular enclosures, electronics cabinets and precision hardware components for standard and custom configurations. As a global organization, Elma keeps close to its customers from various industries such as aerospace, defense, artificial intelligence, industrial automation, smart grid, communications and transportation with sales, design and manufacturing facilities across three continents. Elma chooses leading technology partners in the industry to meet the needs of their customers for integrated solutions.

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. Elma Americas employs 291 people, with women accounting for around 24% of the workforce.

The Americas region was affected by the difficult conditions in the procurement of electronic components and the lack of skilled production experts. Despite a solid order intake, the current environment led to delays in delivery and consequently to 2.4% lower net sales compared with the previous year. The region was able to significantly reduce the loss reported as of June 30, 2022 by optimizing its production processes and increasing the number of personnel and closed the full year 2022 with a balanced result.

Elma Electronic Inc. was again recognized with three Military & Aerospace Engineering Technology Innovation Awards in 2022. In addition to gold and silver awards, Elma received the prestigious platinum award for a VPX development platform that passed the test of 3U board for the open system standard Modular Open Standards Approach (MOSA) for the use in SFF form factors. The system development platform “NetSys-5312” won another award.

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, enclosures and components. At the end of 2022, a total of 456 employees worked in the Europe region, around 44% were women.

The Europe region achieved higher net sales across the entire Elma product range: system solutions, enclosures, components as well as rotary switches. Overall, the region increased net sales in 2022 by 15.5% to CHF 72.3 million and the profit contribution improved significantly compared with the previous year. A positive development was recorded for rugged system solutions; the parent company in Switzerland benefited from a multi-year framework contract with Armasuisse for 4,000 power supply solutions. The subsidiary in Germany was directly affected by the sanctions imposed on Russia by the EU; however, Germany won an important system order from the automotive industry applied in autonomous driving.

The UK company had a very successful business year and significantly improved all of the previous year's parameters. In order to further advance Elma's growth strategy, an area development project is planned at the Swiss location in the medium term. The aim is to transform the Swiss parent company into a modern industrial campus with core competencies in 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 serves the local market, but also 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. Elma Asia employs 66 people, 29% of whom are women.

In China, Elma had to close its factory in Shanghai for more than two months due to a Covid lockdown ordered by the authorities, which resulted in significantly lower output. In the Asia region, net sales fell by 20.1%; despite the severe drop in sales, the region made a positive profit contribution to the overall result. To support the growth strategy in Asia, a partnership was entered with Melchers Trading GmbH in Taiwan with a dedicated Business Development Manager. With this new structure, the local Sales activities in the Taiwanese market will be intensified and, in particular, accelerate the system business.

Product Lines

Elma offers products and solutions from individual components to fully integrated systems. Innovation is one of the most important success factors to supply 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».

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 facilities.

Elma has expanded the range of popular chassis and development platforms available through the company's Express List offering. A broader selection of chassis platforms supporting the new SOSA™ standard and OpenVPX are now part of the program. These developments support the trend in the standardization of electronic systems using open standards to increase interoperability, scalability and reliability.

The development of system solutions for applications in Artificial Intelligence was advanced; Elma's products «JetKit-3010-Board» and «Jetsys-5320» are used by customers in areas such as autonomous driving, automated object and pattern recognition or for high-resolution sensor systems for industrial automation and defense.

Enclosures & Components

As a manufacturer of components for industrial embedded packing solutions and electronic cabinets, Elma offers standard products, modified standard products as well as customized solutions which meet highest quality standards. The range of electronic cabinets for use in rugged environments completes the offerings of the Enclosures & Components product line.

In 2022, Elma presented the new design enclosure “Compact Case 20 Embedded”, which is specially designed for applications with embedded controllers and other electronic applications. The Compact Case 20 can be designed in the Elma online configurator with user-specific dimensions and requirements.

Rotary Switches

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

The digitization and automation of the popular encoder lines “E18” and “E33” continued at the production site in Romania. The range of innovative products has been supplemented with an agile haptic feedback switch. The “X10A” is an innovative and versatile force-feedback-encoder with push-button and RGB backlit. It is the ideal choice for applications that require haptic, realistic, real-time process feedback. In 2022, the “E18” mechanical incremental encoder won a silver award at the Military & Aerospace Engineering Technology Innovation Awards in the USA.



«Elma Electronic enabled me to continue my education to become a bachelor professional of electrical technology and management. Elma's wide range of products inspires me every day.»

Tobias Boehr, deputy head of electronics production
Elma Electronic GmbH, Pforzheim, Germany

Sustainability

To underscore its commitment to sustainability, the Elma Group publishes a new sustainability report.

Sustainable development is critical in protecting the environment, social and economic health, and vitality as well as ensuring the long-term success of a company. A sustainable mindset helps to make the right decisions for Elma's customers, employees, suppliers, shareholders, and social network. Elma is committed to developing its sustainability program, together with dedication to the ESG factors (environmental, social, and governance) and reporting transparently. These topics also cover risks in Elma's business activities in the areas of environment, social affairs, employee matters, protection and safety of employees, human rights, (e.g., prevention of child labor) and anti-bribery compliance.

Mission of the Elma Group:
"To enable a safer and sustainable world by providing solutions for data processing in demanding environments."

In order to realize the sustainability strategy, various internal and external directives issued by Elma Electronic AG underpin their efforts in the area of sustainability. These include:

- Corporate Governance Report
- Code of Conduct and Ethics
- Anti-Bribery Policy

Mission and Values

In 2022 Elma updated the mission statement and values to represent the values of Elma and its employees. A company-wide survey was rolled out to better understand Elma's employees core values, and how they want Elma to be represented. Elma's core values are Progress, Sincerity, Collaboration and Ownership. Elma's values are the guiding principles of how Elma works and operates, and are vital considerations towards hiring, training, and taking corrective action. All of Elma's employees and management members across the Elma Group as well as the Board of Directors are committed to the shared values.

Governance

Good corporate governance is important for Elma, its Board of Directors and Group Management. As a publicly listed, internationally active company, Elma is committed to good corporate governance in order to ensure the sustainable development of the company. In addition, a comprehensive code of conduct and ethics applies to the entire Elma Group, which defines the values, company principles and rules that are binding for Elma. Further information is available on the website: www.elma.com/en/Investors/Corporate-Governance/Code-of-Conduct-and-Anti-Bribery

Risk Management

The protection of employees and company values, the strengthening of reputation, the trust of customers and partners and the creation of a sustainable basis for decision-making are the main goals of the risk management system. The Elma Group attaches great importance to its effectiveness.

Quality & Compliance

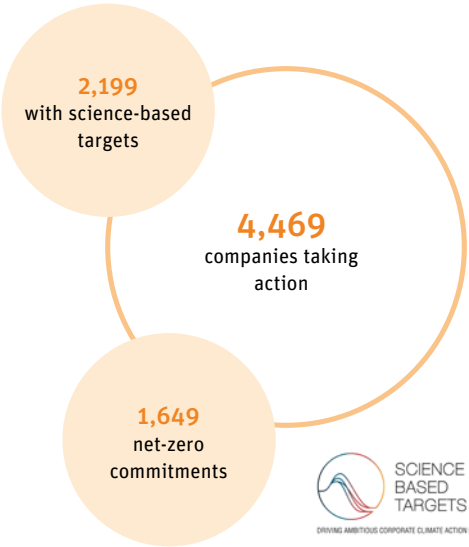
Elma adheres to internationally recognized standards in the various areas of its operations. Compliance with the law is a top priority for Elma. Therefore, in all regions where Elma is active, it complies with the ISO quality standards, certificates, guidelines, and regulations required in these regions. Further details can be found on Elma’s website: <https://www.elma.com/en/who-we-are/quality-compliance>

Active stakeholder dialogue

Elma is also committed to an active stakeholder dialogue with its customers, business partners, suppliers, investors, employees, public authorities, and the general public. Elma’s business managers are in direct and continuous contact with customers and other business partners and Elma provides a comprehensive range of resources, tutorials and case studies which are designed to help customers succeed.

Environment/ Planet

Elma is committed to using scientific methods to become a more sustainable company in line with the Paris agreement. In 2022 Elma committed to taking action by transitioning towards to a zero-carbon economy and joining more than 4,000 businesses worldwide working with the Science Based Targets initiative (SBTi). In 2022, Elma has undertaken extensive analysis into understanding its current carbon footprint. Science based targets are clearly defined pathways for Elma to reduce greenhouse gas emissions. Using the results of the analysis, Elma will define near term and net zero targets in 2023.



Along with 1,645 companies worldwide, Elma is committed to net zero by 2050 at the latest.

Source: SBTi, <https://sciencebasedtargets.org>, February 2023

Greenhouse gas emissions from businesses are divided into three scopes.

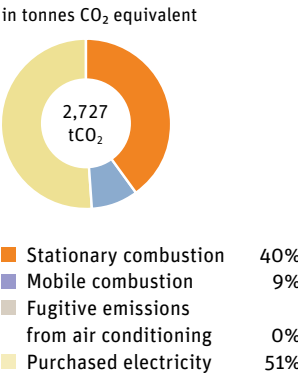
- **Scope 1** emissions are those which are emitted directly by Elma, for example by burning fuels for production and transport.
- **Scope 2** emissions are those indirectly emitted by purchased energy, such as electricity, heat, steam, and cooling purchased by Elma.
- **Scope 3** emissions are also indirect emissions from Elma’s operations, including emissions from purchased goods, emissions due to use of Elma’s products, and other emissions across the value chain

Elma has been working with the external consulting company Carbone 4 to validate scope 1 and

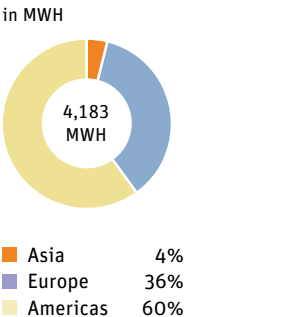
scope 2 greenhouse gas (GHG) emissions calculations, starting with 2021 as the baseline year. Understanding Elma’s current emissions is the first step towards developing targets for ensuring long-term environmental protection and success at Elma.

While the European locations account for 36% of electricity consumption, they only produce 12% of Elma’s emissions from purchased electricity. This is due to the use of low emission energy sources, such as renewable energy and nuclear energy. Conversely, Asia and the Americas both contribute a higher percentage to emissions than to electricity consumption. The electricity provided to these locations comes from higher emissions sources depending on the local availability.

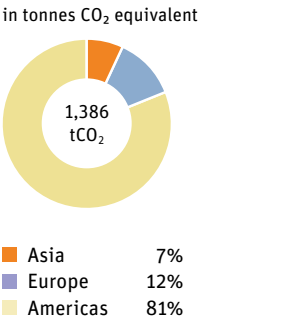
Scope-1- and 2- emissions in 2021 for the Elma Group



Purchased electricity by region in 2021 for the Elma Group



CO₂e emissions from purchased electricity in 2021 for the Elma Group



2021 Emissions data validated by external consulting company Carbon 4 in line with the greenhouse gas protocol.

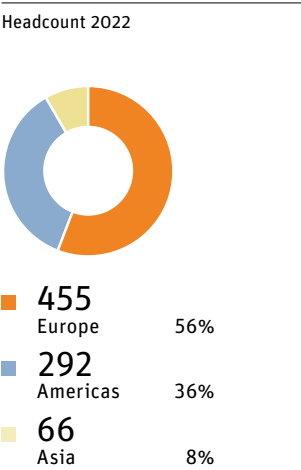
Social / People

At the end of 2022, Elma employed 813 people worldwide. 56% worked in Europe, 36% in North America and 8% in Asia. The Elma Group employed 287 women worldwide, which corresponds to 35% of the total workforce.

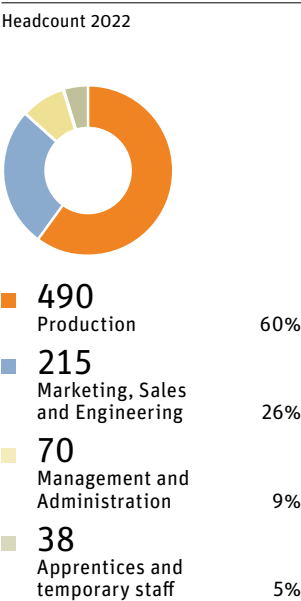
As part of Elma’s commitment to sustainability, Elma is also developing tailored training for all employees. Elma strives to equip all of its employees with the tools such as to make environmentally conscious decisions which are beneficial to the planet, to Elma’s operations and future, and to Elma’s customers, business partners and shareholders. Elma’s long-term economic success also depends on the health and safety of its employees. Therefore, Elma works to raise its employees’ awareness of aspects of health protection and accident prevention through training and information.

In 2022, the EHS Program in the Americas region has continued to evolve. The development of Safety, Ergonomic, and Emergency Response assets in 2022 has served as a template for implementation across all U.S. locations in 2023. Through cultivating cooperative relationships with local, state, and national emergency response agencies, as well as EHS and safety professionals, a robust foundation for safety has been established. This will allow Elma to excel at meeting today’s needs and prepare for tomorrow’s challenges.

Employees by regions



Employees by function





ELMA
Your Solution Partner

**“The sense of belonging at
Elma Electronic encourages
me to do my job perfectly.”**

Chun Yan Ang, Assembler
Elma Electronic Technology, Shanghai, China



Consolidated Balance Sheet Elma Group

at December 31

Assets

in CHF 1,000	2022	2021
Current assets		
Cash	8,939	6,496
Trade accounts receivable	22,717	23,705
Other short-term accounts receivable	1,038	1,158
Inventories	42,526	37,126
Prepayments and accrued income	1,163	1,008
Total current assets	76,383	69,493
Non-current assets		
Tangible assets	20,941	22,137
Deferred tax assets	3,796	2,708
Other financial assets	173	177
Intangible assets	2,911	3,065
Total non-current assets	27,821	28,087
Total assets	104,204	97,580

Consolidated Balance Sheet Elma Group

at December 31

Liabilities and equity

in CHF 1,000

	2022	2021
Liabilities		
Current liabilities		
Short-term bank debts	1,003	2,286
Trade accounts payable	10,495	10,101
Other current liabilities	10,295	5,446
Short-term provisions	2,477	3,554
Accrued liabilities and deferred income	5,544	5,643
Total current liabilities	29,814	27,030
Non-current liabilities		
Long-term bank debts	8,500	8,500
Subordinated loan	10,000	10,000
Other long-term liabilities	54	40
Deferred tax liabilities	967	415
Long-term provisions	996	1,018
Total non-current liabilities	20,517	19,973
Total liabilities	50,331	47,003
Equity		
Share capital	2,513	2,513
Capital reserves	8,388	8,388
Retained earnings	42,972	39,676
Total equity	53,873	50,577
Total liabilities and equity	104,204	97,580

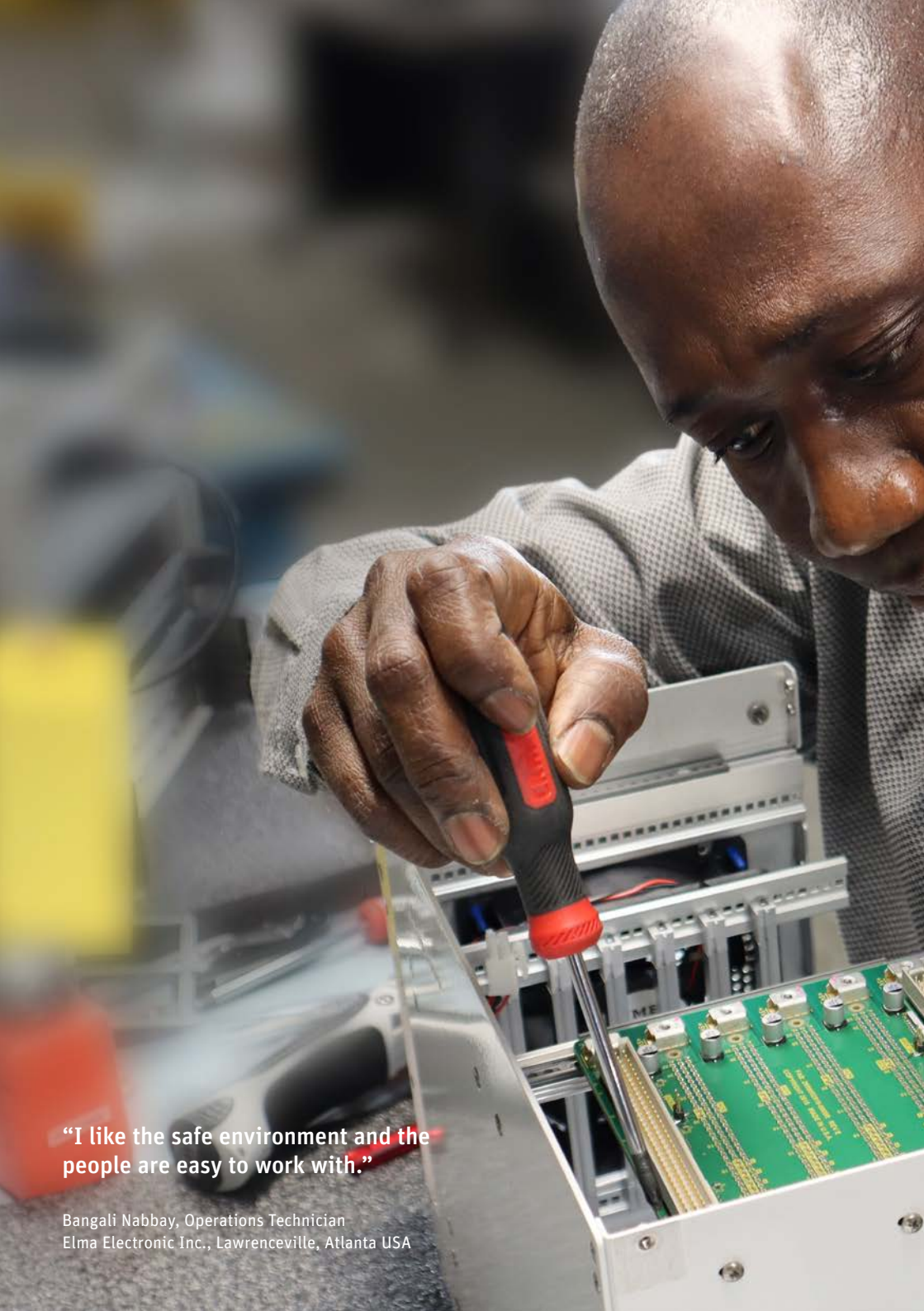
Consolidated Income Statement Elma Group

in CHF 1,000	2022	2021
Net sales from goods and services	154,665	149,277
Cost of goods sold	-113,687	-106,201
Gross profit	40,978	43,076
Sales and Marketing expenses	-19,982	-18,769
Administrative expenses	-13,193	-12,397
Research and development expenses	-2,737	-2,657
Other operating income	1,483	1,002
Other operating expenses	-1,977	-1,202
Operating income (EBIT)	4,572	9,053
Financial result	-374	-453
Ordinary result	4,198	8,600
Non-operating result	390	214
Profit before income taxes (EBT)	4,588	8,814
Income taxes	-432	-1,275
Profit	4,156	7,539
Profit per share in CHF	18.19	32.99

Consolidated Cash Flow Statement Elma Group

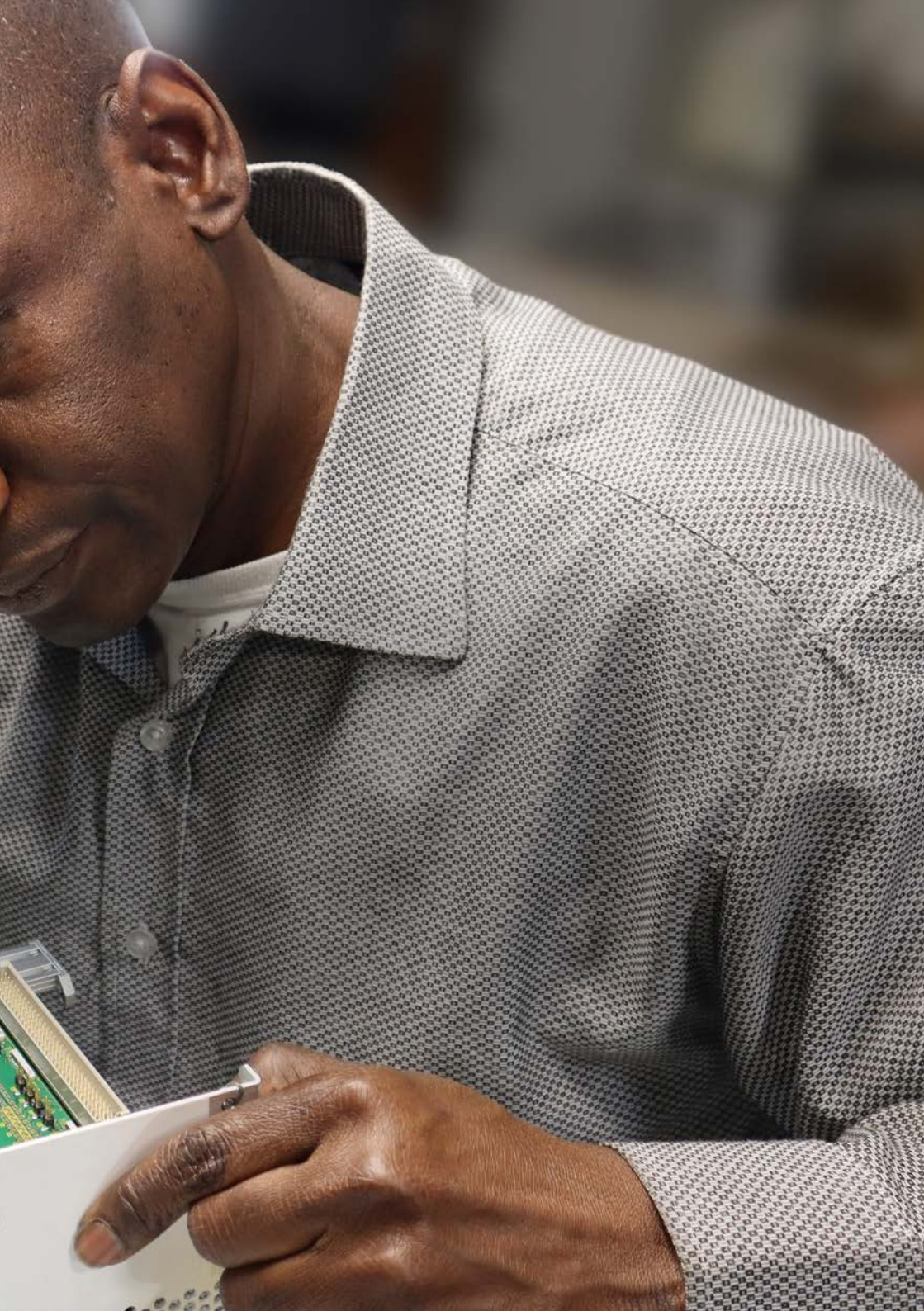
January 1 to December 31

in CHF 1,000	2022	2021
Cash flow from operating activities		
Profit	4,156	7,539
Income taxes	432	1,275
Financial result	374	453
Adjustments for		
Depreciation of tangible assets	3,019	3,021
Amortization of intangible assets	713	206
Change in provisions	-1,057	1,360
Profit from disposal of tangible assets	1	-
Changes in net working capital		
Inventories	-5,729	-6,378
Trade accounts receivable	565	-2,571
Other short-term accounts receivable and prepaid expenses	-14	181
Trade accounts payable	517	359
Other short-term payables and accruals	5,381	2,215
Income taxes paid	-1,047	-1,465
Interest expenses paid (net)	-398	-456
Total cash flow from operating activities	6,913	5,739
Cash flow from investing activities		
Purchase of tangible assets	-1,681	-1,775
Disposal of tangible assets	-2	158
Purchase of intangible assets	-961	-1,465
Changes of other financial assets	-7	-5
Total cash flow from investing activities	-2,651	-3,087
Cash flow from financing activities		
Dividend	-457	-
Repayment of short-term bank debts	-1,283	-6,686
Total cash flow from financing activities	-1,740	-6,686
Effects of exchange rate on cash	-79	-89
Increase / (decrease) in cash	2,443	-4,123
Cash at January 1	6,496	10,619
Cash at December 31	8,939	6,496



“I like the safe environment and the people are easy to work with.”

Bangali Nabbay, Operations Technician
Elma Electronic Inc., Lawrenceville, Atlanta USA



Balance Sheet Elma Electronic AG, Switzerland

at December 31

Assets

in CHF 1,000	2022	2021
Current assets		
Cash	1,291	692
Trade current accounts receivable		
Group companies	3,308	3,483
Third parties	3,512	4,577
Other accounts receivable		
Group companies	763	872
Third parties	752	471
Inventories	12,809	13,126
Prepayments and accrued income	330	133
Total current assets	22,765	23,354
Non-current assets		
Financial assets		
Investments	19,291	18,880
Loans to Group companies	867	908
Other financial assets	10	10
Tangible assets	7,982	8,463
Intangible assets	62	79
Total non-current assets	28,212	28,340
Total assets	50,977	51,694

Balance Sheet Elma Electronic AG, Switzerland

at December 31

Liabilities and equity

in CHF 1,000	2022	2021
Liabilities		
Current liabilities		
Short-term interest-bearing liabilities	1,003	2,286
Trade accounts payable		
Group companies	1,233	800
Third parties	2,480	2,182
Other current liabilities		
Group companies	90	216
Third parties	1,413	758
Accrued liabilities and deferred income	1,550	1,889
Total current liabilities	7,769	8,131
Non-current liabilities		
Non-current interest-bearing liabilities		
Bank debts	8,500	8,500
Subordinated loan	10,000	10,000
Provisions	487	458
Total non-current liabilities	18,987	18,958
Total liabilities	26,756	27,089
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	7,421	7,805
Total equity	24,221	24,605
Total liabilities and equity	50,977	51,694

Income Statement Elma Electronic AG, Switzerland

in CHF 1,000	2022	2021
Net sales from goods and services	48,379	44,226
Income from services	2,290	2,756
Total income	50,669	46,982
Material expenses	-31,899	-25,750
Personnel expenses	-13,551	-13,475
Other operating expenses	-5,183	-4,181
Depreciation	-1,031	-1,079
Other operating income	501	462
Operating income (EBIT)	-494	2,959
Financial income	380	53
Financial expenses	-380	-443
Revaluation on investments	411	-1,275
Amortization of loans to Group companies	-	-595
Ordinary result	-83	699
Non-operating result	206	43
Profit before income taxes (EBT)	123	742
Taxes	-50	-82
Profit	73	660

Appropriation of Retained Earnings

Retained earnings

Retained earnings will be proposed to the Annual General Meeting on April 13, 2023 as follows:	2022 in CHF 1,000	2021 in CHF 1,000
Retained earnings carried forward from previous year	7,805	7,145
Profit	73	660
Dividend distribution of CHF 2.00 per share	-457	-
Retained earnings	7,421	7,805

Proposal of the Board of Directors

for the appropriation of retained earnings	2022 Proposal of the Board of Directors in CHF 1,000	2021 Resolution of the Annual General Meeting in CHF 1,000
Retained earnings	7,421	7,805
Dividend distribution of CHF 2.00 (previous year: CHF 2.00)	-457	-457
To be carried forward	6,964	7,348
Retained earnings	6,964	7,348

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				
	2022	2021	2020	2019	2018
Order income	167,849	160,308	153,288	158,994	148,626
Net sales	154,665	149,277	147,036	151,155	145,981
EBITDA	8,305	12,280	9,938	9,552	10,221
EBITA	4,572	9,053	6,555	6,408	7,236
EBIT	4,572	9,053	6,555	6,408	7,236
Profit	4,156	7,539	5,584	5,111	5,613
in % of average equity (ROE)	8.0	16.2	13.5	13.5	16.9
Depreciation of tangible assets	3,019	3,021	3,258	3,057	2,780
Amortization of intangible assets	713	206	126	87	204
Investments in tangible assets	1,788	1,718	1,872	14,175	2,448
Investments in intangible assets	519	1,740	1,348	44	1
Cash flow from operating activities	6,913	5,739	10,326	7,774	5,713
Cash flow from investment activities	-2,651	-3,087	-2,919	-14,206	-2,393
Free cash flow	4,262	2,652	7,407	-6,432	3,320
Cash flow from financing activities	-1,740	-6,686	-3,713	6,837	-3,823
Non-current assets	27,821	28,087	27,439	28,886	18,387
thereof tangible assets	20,941	22,137	23,426	26,131	15,469
Current assets	76,383	69,493	64,364	65,184	63,445
thereof cash and cash equivalents	8,939	6,496	10,619	7,223	6,905
Balance sheet total	104,204	97,580	91,803	94,070	81,832
Equity	53,873	50,577	42,591	40,071	35,865
in % of balance sheet total	51.7	51.8	46.4	42.6	43.8
Non-current liabilities	20,517	19,973	21,823	23,797	19,013
Current liabilities	29,814	27,031	27,389	30,201	26,954
Total financial liabilities	19,503	20,786	27,502	31,209	24,383
Net financial debts (financial liabilities less cash balances)	10,564	14,290	16,883	23,986	17,478
ROCE (EBIT/Capital Employed) in %	6.1	12.8	10.2	10.0	13.2
Indebtedness factor (net interest-bearing liabilities/EBITDA)	1.3	1.2	1.7	2.5	1.7
Headcount (FTE) end year	813	805	778	773	766
Headcount (FTE) average	803	783	772	773	751
Net sales per employee (average)	193	191	191	196	194

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 2022, the depreciation amounted to a total of CHF 3.7 million (previous year: CHF 3.2 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. 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/(capital employed [=total assets – 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 exchange capitalization is equivalent to the share closing price, multiplied by the number of shares on the reporting date

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Agenda

April 13, 2023

Annual General Meeting

August 15, 2023

Half-Year Report at June 30

Annual Report 2022

The Annual Report 2022 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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