CARLO GAVAZZI

Media Information

Carlo Gavazzi reports revenue growth in 2016/17 – Extraordinary items lead to higher EBIT and net income

- **Operating revenue increases to CHF 135.4 million (previous year: CHF 130.2 million); +3.9% in local currency (+4.0% in CHF)**
- **EBIT reaches CHF 16.7 million (CHF 14.4 million in 2015/16)**
- **Net income increases to CHF 13.4 million (CHF 9.6 million in 2015/16)**
- **Consistently high equity ratio of 73.6% (2016: 72.9%)**
- **Dividend of CHF 15.00 per bearer share proposed to AGM**

Steinhausen, June 22, 2017 – Carlo Gavazzi recorded a sound revenue growth in the 2016/17 business year. The favorable outcome of an arbitration had a positive impact on EBIT. In addition, net income was positively influenced by exchange gains. Excluding these items both EBIT and net income would be at around last year's level.

Operating revenue increased by 3.9% and bookings by 6.4% in local currency, on the back of solid sales in key markets and the ongoing launch of new products. The Group continued to implement its strategy of investing in its product portfolio and in the expansion of the sales network in markets outside Europe. Operating revenue in Swiss Francs increased by 4.0% to CHF 135.4 million (CHF 130.2 million in 2015/16). Bookings grew by 6.5% to CHF 137.7 million (CHF 129.3 million in 2015/16), resulting in a book-to-bill ratio of 1.02 at March 31, 2017.

Gross profit increased by CHF 2.5 million to CHF 74.7 million (CHF 72.2 million in 2015/16) while the gross margin decreased slightly by 0.4 percentage points to 55.1%. Operating expenses went up by CHF 2.0 million from CHF 58.1 million in the previous year to CHF 60.1 million following the business decision to increase investments in R&D and Marketing in America and Asia-Pacific.

Operating profit (EBIT) reached CHF 16.7 million, compared to CHF 14.4 million (+16.0%) in the previous year. The reason for this increase was the favorable outcome of an arbitration contributing non-operational, non-recurring exceptional net proceeds of CHF 2.4 million. As a result, the EBIT margin increased to 12.4% (previous year: 11.0%).

Group net income increased by CHF 3.8 million to CHF 13.4 million (CHF 9.6 million in 2015/16), mainly due to (i) a change in the exchange difference of CHF 0.9 million with an exchange gain of CHF 0.2 million this year compared to an exchange loss of CHF 0.7 million in the previous year plus (ii) the arbitration income of CHF 2.4 million described above.

At March 31, 2017, shareholders' equity stood at CHF 95.2 million (CHF 91.4 million in 2015/16), giving an equity ratio of 73.6% (2016: 72.9%) with a net cash position of CHF 49.0 million.

Having assessed the results, the Board of Directors will propose to the Annual Shareholders' Meeting that the Company pays a dividend of CHF 15.00 per bearer share and CHF 3.00 per registered share for the reporting period, corresponding to a pay-out ratio of 79.6%.

Growth in all three regions – share outside Europe continues to grow

Sales grew across all three geographical regions in local currency.
In Europe, sales were 3.1% above the previous year due to good performance in industrial automation in Central and Southern European countries, and stronger activities in energy efficiency in the Nordic market.

Sales in Asia-Pacific increased by 5.1% compared to the previous year mainly due to progress of business development programs in China.

In North America, sales increased by 5.9% compared to the previous year thanks to the dedicated programs deployed with distributors in industrial automation markets.

The geographical distribution of revenue continues to broaden, with sales outside Europe expanding to 33.9%, with North America and Asia-Pacific accounting for 19.9% and 14.0%, respectively.

Product investments paying off

The Group continued to implement its strategy of investing in its product portfolio. The controls product line performed above the previous year, due to the contribution from energy management products, which grew by 6% versus the previous year. This positive momentum is mainly due to the continuous increase in demand for energy monitoring products and web-based monitoring solutions in conventional energy, building automation and heating, ventilation and air conditioning (HVAC) markets.

Sensor products performed slightly above the previous year. A positive contribution came from photoelectric sensors, which increased by more than 3% versus the previous year, mainly due to the PD30 family of products and PF74 fork sensors. The former combines excellent sensing abilities with an optimized compact housing design for industrial automation applications in packaging & wrapping lines or in the semiconductor market while the latter is designed to level and position applications in elevators.

The switches product line grew by more than 12% versus last year, driven by strong sales both in the RG platform and scroll compressor soft starters. The RG platform has improved penetration in China primarily in plastics and semiconductor applications while scroll compressor soft starters benefitted from business development with manufacturers of commercial refrigeration equipment.

The fieldbus product line declined versus the previous year due to decreasing sales of Dupline products mainly in conveyors for mining applications.

Sales of products in priority markets performed better than overall sales growth, with an increase of more than 19% and 9%, respectively, in the HVAC and plastics markets.

Addressing Industry 4.0 requirements
Introduction of new and enhanced products is a key element in the business development towards new and existing markets and geographies. The deployment of IO link features across core sensor families will address key requirements arising from Industry 4.0, by providing value-added functionalities such as increased diagnostics to assist manufacturers in performing predictive maintenance on their machinery.

The development of the new platform of multi-protocol MTI energy analyzers will allow customers to implement metering and data analysis through internet in building automation and emerging e-storage.

The deployment of integrated communication in solid state switching devices will extend the usability in our customers' controls systems with enhanced control and diagnostics functions to improve predictive maintenance in industrial automation. The integration of web-based energy management and fieldbus SB-web control platforms will drive business development in energy efficiency applications through enhanced load management in commercial building and production facilities.

Outlook
Growth of the global economy has gained momentum, particularly in the developing countries and the scenario has improved also for the industrialized countries. The Group experiences interesting growth opportunities in major markets, particularly outside Europe, and continues to strengthen its product portfolio. Carlo Gavazzi keeps focusing on geographical coverage by improving the effectiveness of the direct sales organization and by further developing the network of distributors and agents.

The complete Annual Report 2016/17 of the Carlo Gavazzi Group is available on: http://www.carlogavazzi.com/en/investors/annual-report.html

Consolidated key figures

(CHF million)

Income Statement	**2016/17**	**2015/16**	%
Bookings	**137.7**	**129.3**	+6.5
Operating revenue	**135.4**	**130.2**	+4.0
EBITDA	**20.0**	**17.6**	+13.6
EBIT	**16.7**	**14.4**	+16.0
EBIT margin	**12.4%**	**11.0%**	
Net income	**13.4**	**9.6**	+39.6
Cash flow	**16.7**	**12.9**	+29.5
Balance Sheet (as at 31 March)	**2017**	**2016**	
Net working capital	**31.5**	**29.9**	+5.4
Shareholders' equity	**95.2**	**91.4**	+4.2
Total assets	**129.3**	**125.4**	+3.1
Equity as % of assets	**73.6%**	**72.9%**	

About Carlo Gavazzi:

Carlo Gavazzi is a publicly listed international electronics group (SIX: GAV) with activities in the design and marketing of electronic control components for factory and building automation.

Please visit our website: www.carlogavazzi.com

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