



CARLO GAVAZZI

Interim Report  
April 1 – September 30, 2017



## At a Glance

### Reported figures

(CHF million)	1.4. - 30.9.17	1.4. - 30.9.16	%
<b>Bookings</b>	<b>73.1</b>	67.8	7.8
<b>Operating revenue</b>	<b>70.4</b>	66.2	6.3
<b>EBITDA</b>	<b>8.2</b>	9.6	-14.6
<b>EBIT</b>	<b>6.4</b>	7.9	-19.0
<b>Net income</b>	<b>4.1</b>	6.3	-34.9
<b>Cash flow</b>	<b>5.8</b>	8.0	-27.5
<b>Additions to fixed assets</b>	<b>1.0</b>	1.0	0.0
<b>Net working capital</b>	<b>35.7</b>	31.5	13.3
<b>Net cash position (at 30.9.17/ 31.3.17)</b>	<b>41.8</b>	49.0	-14.7

### Pro forma comparison excluding arbitration income

(CHF million)	1.4.-30.9.17	1.4.-30.9.16	%
<b>EBITDA</b>	<b>8.2</b>	7.3	12.3
<b>EBIT</b>	<b>6.4</b>	5.6	14.3
<b>Net income</b>	<b>4.1</b>	4.0	2.5
<b>Cash flow</b>	<b>5.8</b>	5.7	1.8

## Letter to the Shareholders

Dear Shareholders,

During the first half of the 2017/18 financial year, Carlo Gavazzi recorded an increase in revenue, driven by sales improvements in all regions and main product lines. In local currency, operating revenue grew by 6.0% and bookings by 7.4%.

Operating revenue increased by 6.3% to CHF 70.4 million (CHF 66.2 million in 2016/17). Sales grew 21.1% in Asia-Pacific, 4.2% in Europe and 1.1% in North America. Bookings grew by 7.8% to CHF 73.1 million (CHF 67.8 million in 2016/17), resulting in a book-to-bill ratio of 1.04 at September 30, 2017.

Gross profit increased by CHF 1.8 million to CHF 38.0 million (CHF 36.2 million in 2016/17) while the gross margin decreased by 0.7 percentage points to 54.0% due to more aggressive sales efforts in the market. Operating expenses went up by CHF 1.0 million from CHF 30.6 million in the previous half year to CHF 31.6 million owing to continuing increased investments in R&D and Marketing.

Operating profit (EBIT) reached CHF 6.4 million, compared to CHF 7.9 million (-19.0%) in the previous year. The reason for this decrease was the one-off effect last year of the non-operational arbitration outcome with net proceeds of CHF 2.3 million. Deducting the arbitration proceeds would give a real EBIT comparison of CHF 6.4 million, compared to CHF 5.6 million (+14.3%) in the previous year.

Group net income decreased by CHF 2.2 million to CHF 4.1 million (CHF 6.3 million in 2016/17), mainly due to (i) a swing in the exchange difference of CHF 0.7 million with an exchange loss of CHF 0.6 million this half year compared to an exchange gain of CHF 0.1 million in the previous half year plus (ii) the arbitration income of CHF 2.3 million described above (iii) CHF 0.8 million additional operating profit.

At September 30, 2017, shareholders' equity amounted to CHF 92.2 million, giving an equity ratio of 71.8%.

### Geographical markets

Sales in Europe increased by 4.2% versus the same period of last year. Business development was driven by Central and South European countries, which leveraged on improving economic and market conditions and on strengthening exports.

Sales in Asia-Pacific increased by 21.1%, mainly due to very good developments in China with OEMs in industrial automation and in South East Asia with our network of distributors. Sales in North America were up by 1.1% compared to the previous year, confirming the effectiveness of ongoing marketing and sales programs with OEMs in the area.

The geographical share of revenue outside Europe continued to expand to 35.0%, with sales in North America and Asia-Pacific accounting for 18.8% and 16.2%, respectively.

## Market segments and products

Sales in priority markets increased 2.2% versus the same period of last year. Among the selected priority markets, Plastics and Agriculture grew respectively by 19.5% and 11.5%.

Sensors sales were 8.5% above the same period of last year mainly due to a robust increase in photoelectric, capacitive and inductive sensors sales, thanks to new applications in industrial automation and positive development of ongoing initiatives.

Controls product sales were up 3.6% mainly due to a 6.0% increase in energy products and 5.2% in monitoring relays. While the development of energy products was mainly driven by ongoing energy efficiency programs across building and industrial automation markets, the increase in monitoring relays was specifically driven by business development programs in North America and Asia.

Sales of Switches products grew by 6.5% compared to the previous year. Solid state relays sales increased 12.0%, also thanks to the development in industrial automation markets, particularly in Plastics. Motor controls sales were 4.7% above the previous year also due to further development in the HVAC market.

## Outlook

While growth of the global economy has gained momentum, the political uncertainties are clearly rising. Barring unforeseen events, Carlo Gavazzi sees interesting growth opportunities in major markets. Accordingly, the company continues to invest in R&D and Marketing and keeps focusing on geographical coverage, particularly in regions outside Europe.



**Valeria Gavazzi**  
Chairman



**Anthony M. Goldstein**  
Chief Financial Officer

# Statements of Comprehensive Income

for the six months ended September 30

(in CHF 1 000)	Notes	2017	2016
<b>Continuing operations</b>			
Revenue from sale of goods		70 359	66 160
Cost of goods sold		(32 366)	(29 957)
<b>Gross profit</b>		<b>37 993</b>	<b>36 203</b>
Research & development expense		(3 763)	(3 546)
Selling, general and administrative expense		(27 829)	(27 049)
Other operating income (expense), net		39	2 268
<b>Operating profit (EBIT)</b>		<b>6 440</b>	<b>7 876</b>
Financial income		14	86
Financial expense		(658)	(15)
<b>Profit before income tax</b>		<b>5 796</b>	<b>7 947</b>
Income tax expense		(1 727)	(1 658)
<b>Net profit for the period</b>		<b>4 069</b>	<b>6 289</b>
<b>Other comprehensive income</b>			
<b>Total items that will not be reclassified to profit or loss</b>		<b>-</b>	<b>-</b>
Exchange difference on translation of foreign operations		3 642	(413)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>3 642</b>	<b>(413)</b>
<b>Total other comprehensive income for the period, net of tax</b>		<b>3 642</b>	<b>(413)</b>
<b>Total comprehensive income for the period</b>		<b>7 711</b>	<b>5 876</b>
Net profit attributable to owners of Carlo Gavazzi Holding AG		4 069	6 289
Comprehensive income attributable to owners of Carlo Gavazzi Holding AG		7 711	5 876
<b>Earnings per share from net profit of continuing operations for the period attributable to owners of Carlo Gavazzi Holding AG</b>			
(in CHF per share)			
<b>Basic and diluted earnings per share of continuing operations:</b>			
- registered shares	8	1.15	1.77
- bearer shares	8	5.73	8.85

The accompanying notes are an integral part of the consolidated financial statements

## Balance Sheets

(in CHF 1 000)	Notes	as of	
		September 30 2017	March 31 2017
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		41 756	49 066
Trade receivables		29 688	28 901
Other receivables		6 216	5 843
Inventories		26 157	21 717
<b>Total current assets</b>		<b>103 817</b>	<b>105 527</b>
<b>Non-current assets</b>			
Property, plant and equipment		10 470	10 618
Intangible assets		6 674	6 492
Other receivables		2 180	1 704
Deferred income tax assets		5 238	4 932
<b>Total non-current assets</b>		<b>24 562</b>	<b>23 746</b>
<b>Total assets</b>		<b>128 379</b>	<b>129 273</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade payables		11 276	10 277
Other payables		13 567	13 756
Borrowings		-	86
Current income tax liabilities		1 475	977
<b>Total current liabilities</b>		<b>26 318</b>	<b>25 096</b>
<b>Non-current liabilities</b>			
Other payables		1 786	1 327
Borrowings		-	-
Employee benefit obligations		7 319	6 986
Other provisions		568	532
Deferred income tax liabilities		171	165
<b>Total non-current liabilities</b>		<b>9 844</b>	<b>9 010</b>
<b>Total liabilities</b>		<b>36 162</b>	<b>34 106</b>
<b>Equity</b>			
Share capital		10 661	10 661
Capital reserves		600	600
Other reserves		(22 308)	(25 950)
Retained earnings		103 264	109 856
<b>Total equity attributable to owners of Carlo Gavazzi Holding AG</b>		<b>92 217</b>	<b>95 167</b>
<b>Total liabilities and equity</b>		<b>128 379</b>	<b>129 273</b>

The accompanying notes are an integral part of the consolidated financial statements

## Statements of Changes in Equity

(in CHF 1 000)	Notes	Attributable to owners of Carlo Gavazzi Holding AG				Total equity
		Share capital	Capital reserves	Other reserves	Retained earnings	
<b>Equity at April 1, 2016</b>		<b>10 661</b>	<b>600</b>	<b>(24 854)</b>	<b>104 996</b>	<b>91 403</b>
<b>Net profit for the period</b>		-	-	-	<b>6 289</b>	<b>6 289</b>
Actuarial gains (losses) on employee benefit obligations, net of tax		-	-	-	-	-
Exchange difference on translation of foreign operations		-	-	(413)	-	(413)
<b>Other comprehensive income for the period</b>		-	-	<b>(413)</b>	-	<b>(413)</b>
<b>Total comprehensive income for the period</b>		-	-	<b>(413)</b>	<b>6 289</b>	<b>5 876</b>
Dividends		-	-	-	(8 529)	(8 529)
<b>Total transactions with owners</b>		-	-	-	<b>(8 529)</b>	<b>(8 529)</b>
<b>Equity at September 30, 2016</b>		<b>10 661</b>	<b>600</b>	<b>(25 267)</b>	<b>102 756</b>	<b>88 750</b>
<b>Net profit for the period</b>		-	-	-	<b>7 100</b>	<b>7 100</b>
Actuarial gains (losses) on employee benefit obligations, net of tax		-	-	231	-	231
Exchange difference on translation of foreign operations		-	-	(914)	-	(914)
<b>Other comprehensive income for the period</b>		-	-	<b>(683)</b>	-	<b>(683)</b>
<b>Total comprehensive income for the period</b>		-	-	<b>(683)</b>	<b>7 100</b>	<b>6 417</b>
<b>Total transactions with owners</b>		-	-	-	-	-
<b>Equity at March 31, 2017</b>		<b>10 661</b>	<b>600</b>	<b>(25 950)</b>	<b>109 856</b>	<b>95 167</b>
<b>Net profit for the period</b>		-	-	-	<b>4 069</b>	<b>4 069</b>
Actuarial gains (losses) on employee benefit obligations, net of tax		-	-	-	-	-
Exchange difference on translation of foreign operations		-	-	3 642	-	3 642
<b>Other comprehensive income for the period</b>		-	-	<b>3 642</b>	-	<b>3 642</b>
<b>Total comprehensive income for the period</b>		-	-	<b>3 642</b>	<b>4 069</b>	<b>7 711</b>
Dividends	7	-	-	-	(10 661)	(10 661)
<b>Total transactions with owners</b>		-	-	-	<b>(10 661)</b>	<b>(10 661)</b>
<b>Equity at September 30, 2017</b>		<b>10 661</b>	<b>600</b>	<b>(22 308)</b>	<b>103 264</b>	<b>92 217</b>

For additional information purposes the second half of the prior year is presented in the table above

The accompanying notes are an integral part of the consolidated financial statements



## Statements of Cash Flows

for the six months ended September 30

(in CHF 1 000)	Notes	2017	2016
<b>Cash flow from operating activities</b>			
<b>Profit for the period</b>		<b>4 069</b>	<b>6 289</b>
Income taxes		1 727	1 658
Depreciation and amortization		1 751	1 720
Loss (gain) on disposal of property, plant and equipment		(28)	(28)
Change in other non-cash items		997	525
Changes in working capital:			
- Change in trade receivables and other receivables		163	694
- Change in inventories		(3 392)	(2 752)
- Change in trade payables and other payables		(1 482)	(1 553)
<b>Cash generated from operations</b>		<b>3 805</b>	<b>6 553</b>
Interest received		10	13
Interest paid		(24)	(12)
Income taxes paid		(472)	(1 008)
<b>Cash flow from operating activities</b>		<b>3 319</b>	<b>5 546</b>
<b>Cash flow from investing activities</b>			
Purchases of property, plant and equipment		(1 010)	(1 015)
Purchases of intangible assets		(28)	(16)
Proceeds from disposal of property, plant and equipment		46	40
<b>Cash flow from investing activities</b>		<b>(992)</b>	<b>(991)</b>
<b>Cash flow from financing activities</b>			
Dividends paid	7	(10 661)	(8 529)
Proceeds from borrowings		-	-
Repayment of borrowings		(89)	(110)
<b>Cash flow from financing activities</b>		<b>(10 750)</b>	<b>(8 639)</b>
<b>Change in cash and cash equivalents</b>		<b>(8 423)</b>	<b>(4 084)</b>
Cash and cash equivalents at the beginning of the period		49 066	46 703
Effects of exchange rate changes on cash and cash equivalents		1 113	(205)
<b>Cash and cash equivalents at the end of the period</b>		<b>41 756</b>	<b>42 414</b>

The accompanying notes are an integral part of the consolidated financial statements

## Notes to the Consolidated Interim Financial Statements

### 1. General information

Carlo Gavazzi Holding AG with its subsidiaries (together Carlo Gavazzi Group, hereinafter “the Group”) is an internationally active electronics company. Its core business Automation Components consists of design and manufacture of electronic control components for the global industrial automation markets. Carlo Gavazzi Holding AG is a publicly traded company listed on the Swiss stock exchange (SIX Swiss Exchange) in Zurich. Its registered office is at Sumpfstrasse 3, CH-6312 Steinhausen, Switzerland.

The financial year of the Group ends on March 31. The Group reporting currency is Swiss Francs (CHF). The consolidated financial statements are presented in thousands of Swiss Francs (CHF 1 000).

These unaudited consolidated half-year financial statements of the Group were approved for publication by the Board of Directors on November 20, 2017.

The Group’s business is not usually impacted by seasonality.

### 2. Significant accounting and valuation policies

The significant accounting and valuation policies are described in detail in the annual report for the financial year ended March 31, 2017. These policies have been applied consistently in the reporting periods presented, unless otherwise stated.

#### 2.1 Basis of preparation

The Group’s unaudited consolidated half-year financial statements have been prepared in accordance with the International Accounting Standard IAS 34 “Interim Financial Reporting”. The consolidated interim financial statements do not include all the information and disclosures required in annual financial statements and should be read

in conjunction with the Group’s annual financial statements for the year ended March 31, 2017, which were prepared in accordance with IFRS.

The Group’s consolidated half-year financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that may affect the reported amounts of assets and liabilities, income and expenses, as well as the disclosure of contingent liabilities and contingent assets during the reporting period. Whilst these estimates are based on management’s best knowledge of current circumstances and possible future events, actual results may ultimately differ from these estimates. In this interim report, management has not made any significant changes to the estimates and assumptions compared with the previous periods.

#### 2.2 Changes to accounting policies

The following new and revised standards and interpretations are mandatory for the first time for financial years beginning on or after April 1, 2017, but have no material impact or are currently not relevant for the Group:

- The amendments to IAS 12 “Income Taxes” clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. Entities are required to apply the amendments retrospectively.
- The IAS 7 “Disclosure Initiative” amendments to IAS 7 “Statement of Cash Flows” require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Selected standards and revisions to standards effective for periods commencing on or after October 1, 2017, which have not been adopted early by the Group:

- The amendments to IFRS 2 "Share-based Payment" deal with the classification and measurement of share-based payment transactions and are effective for accounting periods beginning on or after 1 January 2018 with early application permitted.
- The new IFRS 9 "Financial Instruments" deals with the classification and measurement of financial assets and will ultimately replace IAS 39 "Financial Instruments". The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after January 1, 2018 with early adoption permitted.
- The new IFRS 15 "Revenue from Contracts with Customers" specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. IFRS 15 applies to annual reporting periods beginning on or after January 1, 2018.
- The new IFRS 16 "Leases" specifies how an IFRS reporter will recognize, measure, present and disclose leases and is effective for annual reporting periods beginning on or after January 1, 2019.
- The new IFRS 17 "Insurance Contracts" replaces IFRS 4 and applies to all types of insurance contracts. IFRS 17 is effective for reporting periods starting on or after January 1, 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

New standards and interpretations are usually applied as of the effective date; however, the Group considers early adoption on an individual basis.

If the above standards and interpretations had been applied already in the current financial year, they would have had no significant effect on the consolidated financial statements of the Group except possibly IFRS 16 where the effects are being studied.

### **2.3 Principles of consolidation**

The principles of consolidation and the number of consolidated legal entities remained unchanged compared with the ones presented in the Group's annual report for the financial year ended March 31, 2017.

## 2.4 Foreign currency translation

The following exchange rates into Swiss Francs were used during the periods:

### Exchange Rates

Period end rates applied for the consolidated balance sheet

Currency	Unit	30.9.2017	31.3.2017
BRL	100	30.59	31.53
CAD	1	0.77	0.75
CNY	100	14.57	14.45
DKK	100	15.37	14.40
EUR	1	1.14	1.07
GBP	1	1.30	1.25
HKD	100	12.39	12.88
MYR	100	22.92	22.62
NOK	100	12.16	11.65
SEK	100	11.85	11.21
SGD	1	0.71	0.72
USD	1	0.97	1.00

Average rates applied for the consolidated income statement

Currency	Unit	1.4.2017 - 30.9.2017	1.4.2016 - 30.9.2016
BRL	100	30.55	28.89
CAD	1	0.75	0.75
CNY	100	14.51	14.75
DKK	100	14.88	14.68
EUR	1	1.11	1.09
GBP	1	1.26	1.34
HKD	100	12.48	12.55
MYR	100	22.65	24.16
NOK	100	11.83	11.74
SEK	100	11.51	11.63
SGD	1	0.71	0.72
USD	1	0.97	0.97

## 3. Significant events and business transactions

During the periods, there were no significant events or business transactions in connection with the critical accounting estimates and judgments defined in the Group's annual financial statements for the year ended March 31, 2017.

## 4. Segment reporting

The Group is an internationally active electronics company active in designing, manufacturing and marketing electronic control components for the global markets of industrial and building automation. The Group has only one operating and reportable segment, the information for the segment therefore mainly corresponds to the figures in the consolidated financial statements. When the Group implemented IFRS 8 "Operating Segments", the following circumstances led to the conclusion that it only has one reportable segment:

- Internal monthly reporting for the only operating segment is carried out in concentrated form for the whole Group.
- Because of the close integration of the group companies, focussing individually on production, logistics, marketing and selling, key decisions are, consequently, made by corporate management at consolidated group level and not on the basis of the financial statements of individual legal entities.
- The holding company only provides corporate services; its operating result is monitored in the internal monthly reporting.

## 5. Notes to the income statement

Gross sales in the first six months of the financial year 2016/17 amounted to CHF 70 359 (2016/17 CHF 66 160). The increase of 6.3% is related to organic growth in local currency of 6.0% and a currency effect from the translation into Swiss Francs of 0.3%.

The main reason for the decrease in EBIT was the one-off effect last year of non-operational arbitration income with net proceeds of CHF 2.3 million.

## 6. Contingent assets and contingent liabilities

There have not been any other significant changes to the Group's contingent assets or contingent liabilities since the approval of the consolidated financial statements for the year ended March 31, 2017.

## 7. Dividend

Carlo Gavazzi Holding AG pays one dividend per financial year. The Annual General Meeting held on July 25, 2017, resolved to distribute a dividend for the financial year 2016/17, with value August 2, 2017, as follows:

Dividend per registered share	CHF	3.00
Dividend per bearer share	CHF	15.00
<b>Total dividend</b>	<b>CHF thousands</b>	<b>10 661</b>

## 8. Earnings per share

Earnings per registered share are computed based on the weighted average number of registered shares of CHF 3 each outstanding during the periods.

Earnings per bearer share are computed based on the weighted average number of bearer shares of CHF 15 each outstanding during the periods.

Basic and diluted earnings per share are as follows:

Basic and diluted earnings per share for the half year ended September 30		
(in CHF 1 000)	2017	2016
<b>Net profit attributable to owners of Carlo Gavazzi Holding AG</b>	<b>4 069</b>	<b>6 289</b>
<b>Percentage of registered shares outstanding in comparison with the share capital outstanding</b>	<b>45.03%</b>	<b>45.03%</b>
<b>Percentage of bearer shares outstanding in comparison with the share capital outstanding</b>	<b>54.97%</b>	<b>54.97%</b>
<b>Registered shares</b>		
Net profit attributable to registered shareholders	1 832	2 832
Average number of shares outstanding	1 600 000	1 600 000
<b>Basic and diluted earnings per registered share (CHF)</b>	<b>1.15</b>	<b>1.77</b>
<b>Bearer shares</b>		
Net profit attributable to bearer shareholders	2 237	3 457
Average number of shares outstanding	390 710	390 710
<b>Basic and diluted earnings per bearer share (CHF)</b>	<b>5.73</b>	<b>8.85</b>

## 9. Related party transactions

The related parties consist primarily of shareholders, members of the Board of Directors and members of Executive Management.

During the periods there were no significant transactions with related parties.

## 10. Events after the balance sheet date

There were no events subsequent to the balance sheet date that require adjustment to or disclosure in the financial statements.

## Declaration on Forward-Looking Statements

This Interim Report contains statements that constitute “forward-looking statements”, relating to the Group. Because these forward-looking statements are subject to risks and uncertainties, the reader is cautioned that actual future results may differ from those expressed in or implied by the statements, which constitute projections of possible developments. All forward-looking statements are based only on data available to the Group at the time of preparing this Report. The Group does not undertake any obligation to update any forward-looking statements contained in this Report as a result of new information, future events or otherwise.

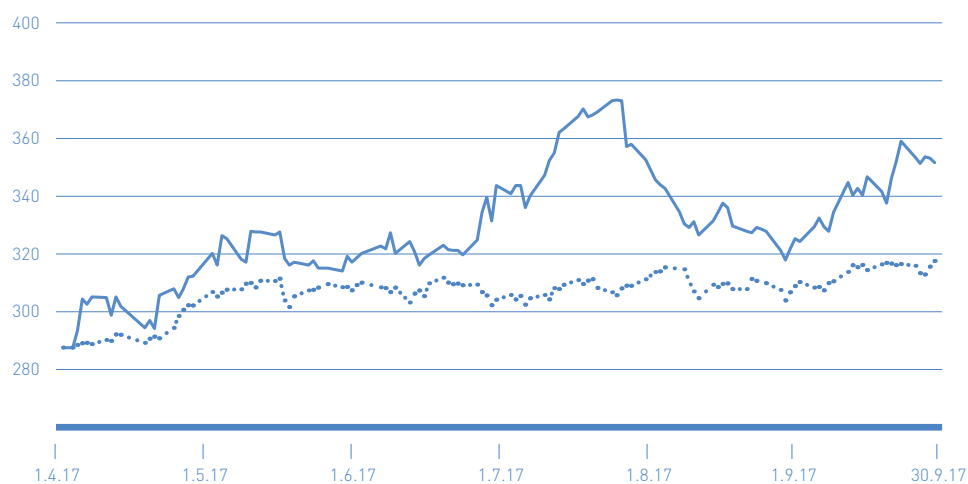
The Interim Report of the Group can also be viewed online: [www.carlogavazzi.com](http://www.carlogavazzi.com)

## Information for Investors

(CHF)	1.4.-30.9.17	1.4.-30.9.16	1.4.-30.9.15	1.4.-30.9.14	1.4.-30.9.13
Share price September 30	<b>352</b>	238	209	238	204
- half year-high	<b>373</b>	240	239	261	230
- half year-low	<b>289</b>	209	196	223	193
Average daily volume	<b>580</b>	518	554	507	720
Earnings per share	<b>5.73</b>	8.85	5.31	6.96	6.10
Book value per share	<b>130</b>	125	121	127	123
Stock market capitalization (CHF million)	<b>250</b>	169	149	169	145
- in % of equity	<b>271</b>	190	172	188	165

### Share price 1.4.2017 - 30.9.2017

(CHF)



— CARLO GAVAZZI BEARER SHARE (NOT ADJUSTED FOR DIVIDENDS)  
 ..... SPI EXTRA™ (REBASED, NOT ADJUSTED FOR DIVIDENDS)

### Financial calendar

Media and financial analysts' meeting 2017/18	June 28, 2018
Shareholders' meeting 2017/18	July 31, 2018
Interim Report 2018/19	November 22, 2018





# CARLO GAVAZZI

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