



CARLO GAVAZZI

Interim Report
April 1 – September 30, 2018

At a Glance

(CHF million)	1.4.-30.9.18	1.4.-30.9.17	%
Bookings	78.7	73.1	7.7
Operating revenue	76.0	70.4	8.0
EBITDA	8.4	8.2	2.4
EBIT	6.5	6.4	1.6
Net income	4.6	4.1	12.2
Cash flow	6.5	5.8	12.1
Additions to fixed assets	1.9	1.0	90.0

(CHF million)	30.9.18	31.03.18	%
Net working capital	37.5	35.7	5.0
Net cash position	40.6	50.7	-19.9

Letter to the Shareholders

Dear Shareholders,

During the first half of the 2018/19 financial year, Carlo Gavazzi recorded a marked increase in revenue and net income.

Sales were driven by improvements in all regions and main product lines with Switches achieving a double-digit growth rate. In local currency, operating revenue grew by 5.0% and bookings by 4.7%. In Swiss Francs, operating revenue increased by 8.0% to CHF 76.0 million (CHF 70.4 million in the first semester of the 2017/18 business year). Sales grew by 4.8% in Europe, 9.9% in the Americas and 0.2% in Asia-Pacific. Bookings grew by 7.7% to CHF 78.7 million (CHF 73.1 million in 2017/18), resulting in a book-to-bill ratio of 1.04 at September 30, 2018.

Gross profit increased by CHF 2.8 million to CHF 40.8 million (CHF 38.0 million in 2017/18) while the gross margin decreased by 0.3 percentage points to 53.7% due to more aggressive sales efforts. Operating expenses went up by CHF 2.6 million from CHF 31.6 million in the previous first half year to CHF 34.2 million (+8.2%) owing to continuing increased investments in R&D, Marketing and Sales.

Operating profit (EBIT) reached CHF 6.5 million, compared to CHF 6.4 million (+1.6%) in the first half of last year.

Group net income increased by CHF 0.5 million (+12.2%) to CHF 4.6 million (CHF 4.1 million in 2017/18).

At September 30, 2018, shareholders' equity amounted to CHF 93.2 million, giving an equity ratio of 71.0%.

Geographical markets

Revenue grew across all geographical regions in local currency.

In Europe, sales were 4.8% above the same period of last year. Effective business development spanned from Nordic to Central and Southern European countries, which leveraged on the positive business cycle.

Sales in the Americas grew by 9.9%, confirming the effectiveness of on-going business development activities in the area.

In Asia-Pacific, sales increased by only 0.2%, mainly due some postponement of project-based business in building automation in Singapore and other South East Asian markets. As in the past years, the geographical share of revenue outside Europe continued to expand to 35.5%, with sales in the Americas and Asia-Pacific accounting for 20.1% and 15.4%, respectively.

Markets and products

Sales in priority markets increased 5.5% versus the same period of last year. Among the selected priority markets, HVAC, Plastics and Energy grew by 14.3%, 10.8% and 7.9% respectively.

Sales of Sensors were 2.3% above the same period of last year mainly due to an increase in capacitive and level sensors sales, thanks to on-going business development in industrial applications globally.

Controls product sales were up 3.9% mainly due to a robust 14.9% increase in energy products, which was driven by development in energy management applications and energy efficiency programs across building automation markets, such as Energy and HVAC.

Sales of Switches products grew by 10.7% compared to the previous year. Solid state relays sales increased 16.3%, also thanks to the development in both industrial and building automation markets. Motor controls sales were 7.7% above the previous year also due to further business development in the applications for HVAC market.

Outlook

The current economic environment is characterized on the one hand by higher volatility and greater political imponderables and on the other by continued global economic growth. On the whole, the factors of uncertainty tend to increase. Nevertheless, Carlo Gavazzi Group continues to see growth opportunities in important markets, particularly outside Europe, and further strengthens its product portfolio through investments in R&D and efforts in Marketing and Sales.



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	2018	2017
Continuing operations			
Revenue from sale of goods		76 005	70 359
Cost of goods sold		(35 196)	(32 366)
Gross profit		40 809	37 993
Research & development expense		(4 255)	(3 763)
Selling, general and administrative expense		(29 985)	(27 829)
Other operating income (expense), net		(24)	39
Operating profit (EBIT)		6 545	6 440
Financial income		33	14
Financial expense		(14)	(658)
Profit before income tax		6 564	5 796
Income tax expense		(1 946)	(1 727)
Net profit for the period		4 618	4 069
Other comprehensive income			
Total items that will not be reclassified to profit or loss		-	-
Exchange (loss) gain on translation of foreign operations		(2 132)	3 642
Total items that may be reclassified subsequently to profit or loss		(2 132)	3 642
Total other comprehensive income for the period, net of tax		(2 132)	3 642
Total comprehensive income for the period		2 486	7 711
Net profit attributable to owners of Carlo Gavazzi Holding AG		4 618	4 069
Comprehensive income attributable to owners of Carlo Gavazzi Holding AG		2 486	7 711
Earnings per share from net profit of continuing operations for the period attributable to owners of Carlo Gavazzi Holding AG			
(in CHF per share)			
Basic and diluted earnings per share of continuing operations:			
- registered shares	8	1.30	1.15
- bearer shares	8	6.50	5.73

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

Balance Sheets

(in CHF 1 000)	Notes	as of	
		September 30 2018	March 31 2018
Assets			
Current assets			
Cash and cash equivalents		40 558	50 744
Trade receivables		28 633	29 802
Other receivables		7 072	7 684
Inventories		31 604	25 235
Total current assets		107 867	113 465
Non-current assets			
Property, plant and equipment		10 796	11 072
Intangible assets		6 596	6 797
Other receivables		1 903	1 364
Deferred income tax assets		4 220	4 178
Total non-current assets		23 515	23 411
Total assets		131 382	136 876
Liabilities and equity			
Current liabilities			
Trade payables		13 323	13 117
Other payables		14 749	15 287
Current income tax liabilities		1 528	1 063
Total current liabilities		29 600	29 467
Non-current liabilities			
Other payables		1 544	974
Employee benefit obligations		6 410	6 556
Other provisions		531	537
Deferred income tax liabilities		76	78
Total non-current liabilities		8 561	8 145
Total liabilities		38 161	37 612
Equity			
Share capital		10 661	10 661
Capital reserves		600	600
Other reserves		(21 719)	(19 587)
Retained earnings		103 679	107 590
Total equity attributable to owners of Carlo Gavazzi Holding AG		93 221	99 264
Total liabilities and equity		131 382	136 876

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	
Equity at September 30, 2017		10 661	600	(22 308)	103 264	92 217
Net profit for the period		-	-	-	4 326	4 326
Actuarial gains (losses) on employee benefit obligations, net of tax		-	-	825	-	825
Exchange difference on translation of foreign operations		-	-	1 896	-	1 896
Other comprehensive income for the period		-	-	2 721	-	2 721
Total comprehensive income for the period		-	-	2 721	4 326	7 047
Total transactions with owners		-	-	-	-	-
Equity at March 31, 2018		10 661	600	(19 587)	107 590	99 264
Net profit for the period		-	-	-	4 618	4 618
Actuarial gains (losses) on employee benefit obligations, net of tax		-	-	-	-	-
Exchange difference on translation of foreign operations		-	-	(2 132)	-	(2 132)
Other comprehensive income for the period		-	-	(2 132)	-	(2 132)
Total comprehensive income for the period		-	-	(2 132)	4 618	2 486
Dividends	7	-	-	-	(8 529)	(8 529)
Total transactions with owners		-	-	-	(8 529)	(8 529)
Equity at September 30, 2018		10 661	600	(21 719)	103 679	93 221

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	2018	2017
Cash flow from operating activities			
Profit for the period		4 618	4 069
Income taxes		1 946	1 727
Depreciation and amortization		1 834	1 751
Loss (gain) on disposal of property, plant and equipment		(68)	(28)
Change in other non-cash items		(700)	997
Changes in working capital:			
- Change in trade receivables and other receivables		774	163
- Change in inventories		(7 278)	(3 392)
- Change in trade payables and other payables		355	(1 482)
Interest received		24	10
Interest paid		(14)	(24)
Income taxes paid		(554)	(472)
Cash flow from operating activities		937	3 319
Cash flow from investing activities			
Purchases of property, plant and equipment		(1 927)	(1 010)
Purchases of intangible assets		(15)	(28)
Proceeds from disposal of property, plant and equipment		89	46
Cash flow from investing activities		(1 853)	[992]
Cash flow from financing activities			
Dividends paid	7	(8 529)	(10 661)
Proceeds from borrowings		-	-
Repayment of borrowings		-	(89)
Cash flow from financing activities		(8 529)	(10 750)
Change in cash and cash equivalents		(9 445)	(8 423)
Cash and cash equivalents at the beginning of the period		50 744	49 066
Effects of exchange rate changes on cash and cash equivalents		(741)	1 113
Cash and cash equivalents at the end of the period		40 558	41 756

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 19, 2018.

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, 2018. 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, 2018, 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

This note explains the impact of the adoption of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” on the Group’s financial statements and also discloses the new accounting policies that have been applied after April 1, 2018, where they are different to those applied in prior periods:

- The new IFRS 9 “Financial Instruments” deals with the classification and measurement of financial assets and its adoption has not had any material impact on the financial statements.
- 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. The adoption of IFRS 15 has not had any material impact on the financial statements.

Selected standards and revisions to standards effective for periods commencing on or after October 1, 2018, which have not been adopted early by the Group:

- The new IFRS 16 “Leases” specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.

If the above standard, IFRS 16, had been applied already in the current financial year, there could have been an effect on the consolidated financial statements of the Group, however, the amount is unknown as the effects are being studied currently by experts.

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, 2018.

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	30.9.2018	31.3.2018
BRL	100	24.27	28.82
CAD	1	0.76	0.74
CNY	100	14.29	15.21
DKK	100	15.27	15.81
EUR	1	1.14	1.18
GBP	1	1.28	1.35
HKD	100	12.54	12.19
MYR	100	23.71	24.70
NOK	100	12.05	12.18
SEK	100	11.03	11.46
SGD	1	0.72	0.73
USD	1	0.98	0.96

Average rates applied for the consolidated income statement

Currency	Unit	1.4.2018 - 30.9.2018	1.4.2017 - 30.9.2017
BRL	100	26.19	30.55
CAD	1	0.76	0.75
CNY	100	14.29	14.51
DKK	100	15.56	14.88
EUR	1	1.16	1.11
GBP	1	1.31	1.26
HKD	100	12.55	12.48
MYR	100	24.49	22.65
NOK	100	12.11	11.83
SEK	100	11.18	11.51
SGD	1	0.73	0.71
USD	1	0.98	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, 2018.

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 2017/18 amounted to CHF 76 005 (2017/18 CHF 70 359). The increase of 8.0% is related to organic growth in local currency of 5.0% and a currency effect from the translation into Swiss Francs of 3.0%.

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, 2018.

7. Dividend

Carlo Gavazzi Holding AG pays one dividend per financial year. The Annual General Meeting held on July 31, 2018, resolved to distribute a dividend for the financial year 2017/18, with value August 7, 2018, as follows:

Dividend per registered share	CHF	2.40
Dividend per bearer share	CHF	12.00
Total dividend	CHF thousands	8 529

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)	2018	2017
Net profit attributable to owners of Carlo Gavazzi Holding AG	4 618	4 069
Percentage of registered shares outstanding in comparison with the share capital outstanding	45.03%	45.03%
Percentage of bearer shares outstanding in comparison with the share capital outstanding	54.97%	54.97%
Registered shares		
Net profit attributable to registered shareholders	2 079	1 832
Average number of shares outstanding	1 600 000	1 600 000
Basic and diluted earnings per registered share (CHF)	1.30	1.15
Bearer shares		
Net profit attributable to bearer shareholders	2 539	2 237
Average number of shares outstanding	390 710	390 710
Basic and diluted earnings per bearer share (CHF)	6.50	5.73

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

Information for Investors

(CHF)	1.4.-30.9.18	1.4.-30.9.17	1.4.-30.9.16	1.4.-30.9.15	1.4.-30.9.14
Share price September 30	290	352	238	209	238
- half year-high	358	373	240	239	261
- half year-low	290	289	209	196	223
Average daily volume	272	580	518	554	507
Earnings per share	6.50	5.73	8.85	5.31	6.96
Book value per share	131	130	125	121	127
Stock market capitalization (CHF million)	206	250	169	149	169
- in % of equity	221	271	190	172	188

Share price 1.4.2018 - 30.9.2018

(CHF)



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

Financial calendar

Media and financial analysts' meeting 2018/19
 Shareholders' meeting 2018/19
 Interim Report 2019/20

June 27, 2019
 July 30, 2019
 November 21, 2019



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