CARLO GAVAZZI

Media Information

Carlo Gavazzi posts operationally solid half year result and substantial extraordinary income

- **Operating revenue increase of 2.3% to CHF 66.2 million in the first half of 2016/17 (previous year: CHF 64.7 million)**
- **Sales stable in Europe, ca. 3% up in North America and Asia-Pacific**
- **Substantial EBIT growth from CHF 6.3 million to CHF 7.9 million (+25.4%), mainly driven by non-recurring exceptional proceeds and currency effects**
- **Increasing investments in R&D and Marketing**
- **Group net income up from CHF 3.8 million to CHF 6.3 million (+65.8%).**
- **Increased equity ratio of 72.3% (previous year: 70.5%)**

Steinhausen, November 24, 2016 – During the first half of the 2016/17 financial year, Carlo Gavazzi recorded an increase in revenue, gross profit, EBIT and net income, driven by operating improvements outside Europe, currency effects and non-recurring proceeds from an arbitration.

Operating revenue increased by 2.3% from CHF 64.7 million in the first half of the previous year to CHF 66.2 million (+0.7% in local currency). Sales grew 3.2% in Asia-Pacific, 2.9% in North America and were in line with the previous year in Europe. Orders were up 4.1% to CHF 67.8 million (CHF 65.1 million) while in local currency they increased by 2.5%. The book-to-bill ratio was 1.03.

Gross profit increased by CHF 0.5 million to CHF 36.2million (CHF 35.7 million) and the gross margin was 54.7%, compared to 55.2% in the previous year. Following a business review, Carlo Gavazzi decided to increase investments in R&D as well as in Marketing in America and Asia-Pacific. As a consequence, operating expenses increased from CHF 29.3 million to CHF 30.6 million (+ 2.5% in local currency).

Operating profit (EBIT) grew from CHF 6.3 million to CHF 7.9 million (+25.4%) and group net income from CHF 3.8 million to CHF 6.3 million (+65.8%). The key reasons for this increase were (i) the favourable outcome of an arbitration contributing non-operational, non-recurring exceptional net proceeds of CHF 2.3 million and (ii) a change in the exchange difference of CHF 0.9 million, mainly due to the strengthening of the US Dollar against the Euro, resulting in an exchange gain of CHF 0.1 million, compared to an exchange loss of CHF 0.8 million in the previous year.

At September 30, 2016, shareholder's equity amounted to CHF 88.8 million, giving an equity ratio of 72.3%.

Sales increase outside Europe

Sales in Europe reached the same level as in the previous year. While the southern European countries experienced some economic uncertainty, stronger sales were achieved in Germany and the Nordic countries.

Sales in Asia-Pacific increased by 3.2%, mainly due to strong developments in China and Malaysia in building automation projects, both in car park management and in energy efficiency.

Sales in North America were up by 2.9% compared to the previous year, confirming the effectiveness of ongoing marketing initiatives in the region.
The geographical share of revenue outside Europe expanded to 34.2%, with sales in North America and Asia-Pacific accounting for 19.8% and 14.4%, respectively.

HVAC with double-digit growth

Sales in priority markets increased 2.5% versus the same period of last year. Among the selected priority markets, Heating, Ventilation and Air Conditioning (HVAC) and Plastic grew respectively by 12.5% and 4.6% versus the previous year.

Sensors sales were 1.1% below the same period of last year mainly due to a 4.9% decrease in capacitive sensors linked to the agriculture industry still being affected by the political situation in Russia and Ukraine.

Controls product sales were down 1.7% mainly due to a 6.6% decrease in monitoring relays linked to lower demand. This decrease was offset partially by a stable growth in sales of the energy management range, in particular due to the effective market introduction of the new EM300 series with value added features including MID certification.

Sales of switches products grew by 7.2% compared to the previous year. Solid state relays sales increased 6.3%, thanks to the development of RG and RM platforms across both the building and industrial automation markets. Soft starter sales were 13.1% above the previous year mainly due to the further penetration of the RSBT range which fulfills the evolving requirements of OEMs in HVAC market.

Revenues of the fieldbus product line decreased by 6.4%. Lower demand in industrial automation was partially offset by solid development in building automation projects in Asia and Northern Europe.

Outlook

The global economic outlook remains uncertain thereby affecting overall market conditions. Nonetheless, Carlo Gavazzi sees interesting growth opportunities in major markets, particularly outside Europe.

Consolidated key figures
(CHF million)

Income statement	1. HY 2016/17	1. HY 2015/16	%
Bookings	**67.8**	65.1	+4.1
Operating revenue	**66.2**	64.7	+2.3
EBITDA	**9.6**	7.9	+21.5
EBIT	**7.9**	6.3	+25.4
Net income	**6.3**	3.8	+65.8
Cash flow	**8.0**	5.4	+48.1
Additions to fixed assets	**1.0**	1.2	-16.7
Balance sheet	**30.9.2016**	31.3.2016	
Net working capital	**32.0**	29.9	+7.0
Net cash position	**42.3**	46.5	-9.0

Interim Report
The complete interim report can be downloaded from
http://www.carlogavazzi.com/en/investors/interim-report.html

About Carlo Gavazzi:
Carlo Gavazzi is a publicly quoted 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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