



**CARLO GAVAZZI**

Annual Report 2019/20

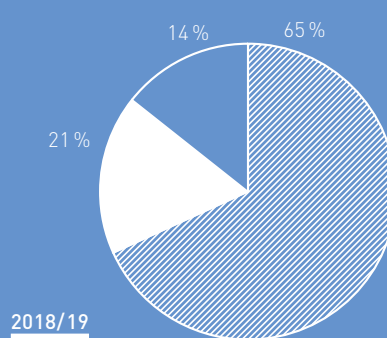
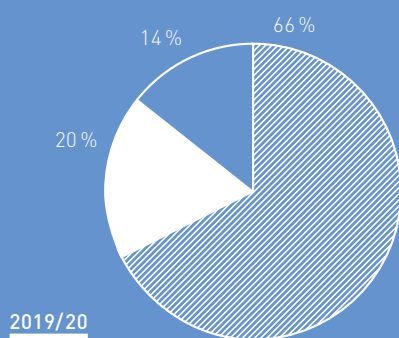




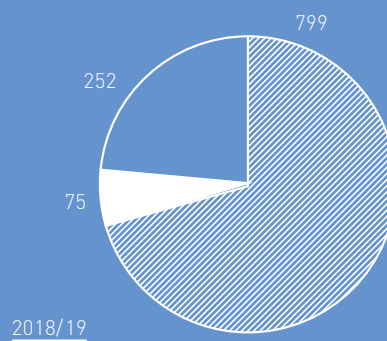
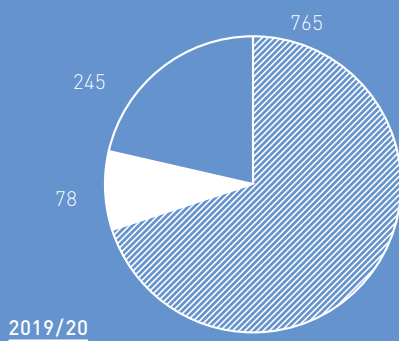
## At a Glance

(CHF million)	2019/20	2018/19	%
<b>Bookings</b>	<b>153.0</b>	155.2	-1.4
<b>Operating revenue</b>	<b>148.5</b>	155.0	-4.2
<b>EBITDA</b>	<b>16.9</b>	18.7	-9.6
<b>EBIT</b>	<b>10.8</b>	15.2	-28.9
<b>Net income</b>	<b>6.1</b>	10.7	-43.0
<b>Cash flow</b>	<b>12.2</b>	14.2	-14.1
<b>Shareholders' equity</b>	<b>90.3</b>	97.5	-7.4
<b>ROE</b>	<b>6.7%</b>	11.0%	-

### Revenue distribution by geographical region



### Distribution of employees by geographical region



- ◌ EMEA
- AMERICAS
- ASIA-PACIFIC

# Annual Report 2019/20



# Annual Report 2019/20

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**Carlo Gavazzi is an international group active in designing, manufacturing and marketing electronic equipment targeted at the global markets of industrial and building automation.**



# Corporate



## Letter to the Shareholders

Dear Shareholders,

In the 2019/20 business year, the overall business performance of Carlo Gavazzi was solid, however, the strengthening of the Swiss Franc, the ongoing development of a new ERP system and Covid-19 had an impact on the full-year result when comparing to the same period in 2018/19.

At the end of the business year, Carlo Gavazzi was affected by the coronavirus pandemic (Covid-19). The Group has a major presence in China and Italy, countries affected by strict quarantine regulations in the last two months of the financial year 2019/20. The factories in Kunshan (China) and Belluno (Italy), were able to maintain production for the most part. On the other hand, sales and distribution in China and to some extent in other regions were experiencing bottlenecks. Many country organizations were in short-time working mode. In addition, a number of the Group's long-standing customers were affected by interrupted supply chains, resulting in delays or reduction in orders and deliveries.

The Group's operating revenue decreased by 0.5% while bookings increased by 2.5% in local currency, on the back of solid sales in key markets and ongoing launches of new products. Operating revenue in Swiss Francs decreased by 4.2% to CHF 148.5 million (CHF 155.0 million in 2018/19). Bookings decreased by 1.4% to CHF 153.0 million (CHF 155.2 million in 2018/19), resulting in a book-to-bill ratio of 1.03 at March 31, 2020.

Gross profit decreased by CHF 3.2 million to CHF 79.6 million (CHF 82.8 million in 2018/19) while the gross margin increased by 0.2 percentage points to 53.6%. Operating expenses were up by CHF 0.7 million from CHF 68.1 million in the previous year to CHF 68.8 million with continuing investments in R&D and Marketing and Sales expenditure. In addition, the Group invested CHF 1.5 million during the year in the development of a new ERP system. Operating profit (EBIT) decreased to CHF 10.8 million, compared to CHF 15.2 million in the previous year (-28.9% versus 2018/19). The EBIT margin decreased to 7.3% compared to 9.8% in the previous year. After considering financial expense of CHF 0.7 million and income taxes of CHF 4.0 million, the Group net income amounted to CHF 6.1 million (CHF 10.7 million in 2018/19), a decrease of 43.0%.

At March 31, 2020, shareholders' equity stood at CHF 90.3 million (CHF 97.5 million in 2018/19), giving an equity ratio of 68.7% (2019: 71.8%) with a net cash position of CHF 46.0 million (2019: CHF 47.8 million).

Carlo Gavazzi stands by its traditional policy of distributing a great part of net income to shareholders. However, considering the fact that the Company has experienced two factory closures and short-time working almost worldwide, and in view of the anticipated volatility and challenges ahead, the Board of Directors will propose to the Annual Shareholders' Meeting to refrain from distributing a dividend this year in order to safeguard all stakeholders' interests.

## Geographical markets

Sales in local currency grew in Europe but decreased in the Americas and Asia-Pacific.

In Europe, sales were 2.3% above the previous year due to good performance in building automation markets in the whole area, while industrial automation markets suffered from a general slowdown.

Sales in the Americas decreased by 5.3% compared to the previous year due to a contraction in the manufacturing sector also as a result of increasing trade barriers which impacted the entire value chain.

Sales in Asia-Pacific decreased by 6.7% compared to the previous year as both the industrial and building automation markets were affected by weak business conditions resulting from the US-China trade war and, towards the year-end, the Covid-19 pandemic.

Sales outside Europe represented 33.5% of total revenue, with the Americas and Asia-Pacific accounting for 20.0% and 13.5%, respectively.

## Markets and products

Controls performed above the previous year, with a very positive contribution coming from energy management products, which grew by 14.8%, driven by the steady demand for energy analyzers and the UWP 3.0 gateway and controller. UWP 3.0 provides users with a wide range of monitoring and automation functions to improve energy efficiency in building automation and car parking guidance systems.

Sensors performed above the previous year due to the positive contribution of capacitive sensors, which grew by 5.5%. The CA18 and CA30 series represent the ideal solution for reliable detection in harsh environments in industrial markets. When integrated into IO-Link communication, they ensure high performance and maximum flexibility in applications where sensor performance needs to be constantly and accurately monitored and logged. The CD34 family meets industrial customers' requirements for challenging applications, such as the reliable detection of liquids in harsh environments.

Switches decreased by more than 6% compared to the previous year. The weakening conditions in global industrial markets affected overall sales in solid state relays. Sales of motor controllers increased by 1.6% mainly driven by the RSGD series and the promising development in HMDS. The RSGD series provides customers with a compact self-learning solution designed for pumps and compressors in the building automation markets. HMDS is an innovative motor starter used in HVAC devices such as heat pumps and submersible pumps. Its unique design and control algorithm make the start capacitor superfluous and reduce motor starting currents.

Sales of products in priority markets performed better than overall sales, with an increase of more than 19% in Smart Building and Energy markets and more than 8% in the HVAC market.

## Strategy

The Group growth strategy is based on developing new and enhanced products and improving market penetration and development across different geographic areas.

Furthermore, the Group is focused on continuous improvement of its business model, also by embracing new technology, software and tools to become more agile and responsive in a complex market landscape.

The main initiatives concern reinforcing production and R&D activities to improve delivery and time-to-market, the deployment of dedicated business development programs outside Europe, the enhancement of manufacturing sites and the R&D team in Asia-Pacific to better fulfill local customer requirements in terms of specifications and prices.

## Outlook

The global economy continues to contract sharply due to the Covid-19 pandemic. Early in the emerging crisis, Carlo Gavazzi acted promptly to maintain its business continuity by modifying its operations and adapting its global footprint of manufacturing and warehouse facilities. Nonetheless, weak economic and market conditions are expected to persist in the short term further affecting the Group's result in the coming months.

Despite these expected challenges, Carlo Gavazzi continues to focus on strengthening its sales organizations and increasing the penetration of its product portfolio and developing a state-of-the-art ERP system in order to take advantage of the opportunities which are likely to arise in various markets in the medium term.

## Acknowledgements

Carlo Gavazzi is well positioned in terms of financial stability, focused strategy, innovative technology and long-term client relationships. We are grateful to have a dedicated team that is willing and able to successfully defend our global market position even under the current difficult conditions. We would like to thank our employees for their untiring commitment, our customers and business partners for their loyalty to Carlo Gavazzi, as well as our shareholders for their continued trust in the management and the Board of Directors.



A handwritten signature in blue ink that reads "Valeria Gavazzi".

**Valeria Gavazzi**  
Chairman



A handwritten signature in blue ink that reads "Lorenzo Trezzini".

**Lorenzo Trezzini**  
Chief Financial Officer

## Review of Operations

### Structure

The Group consists of our traditional core business, Automation Components.

### Accounting policies

The Group changed its accounting policies as a result of adopting IFRS 16, the new leasing standard. From April 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Instead of rental expense there is now depreciation and interest expense.

### Currencies

As the Group operates in more than 20 countries and generates 98.4% of its revenue in currencies other than the Swiss Franc, foreign exchange rate movements are of importance. In the current year, the Euro average rate decreased by 3.4% against the Swiss Franc. The negative currency effect for the Group for the year in local currencies amounted to 3.8% on bookings and operating revenue.

### Bookings and backlog

Consolidated bookings decreased by CHF 2.2 million or 1.4% from CHF 155.2 million to CHF 153.0 million. Bookings exceeded operating revenue by CHF 4.5 million for a book-to-bill ratio of 1.03. Group order backlog at year-end amounted to CHF 28.2 million or 19.0% of operating revenue, corresponding to revenue of around two months.

### Operating revenue and gross profit margin

Consolidated revenue decreased by CHF 6.5 million or 4.2% from CHF 155.0 million to CHF 148.5 million while the gross profit margin increased from 53.4% to 53.6%.

### Operating expenses

Operating expenses increased by CHF 0.7 million from CHF 68.1 million to CHF 68.8 million. Operating expenses consist of R&D and selling, general and administrative expenses (SG&A). R&D expenses increased to CHF 8.7 million corresponding to 5.9% of operating revenue, whereas SG&A expenses increased by CHF 0.2 million from CHF 59.9 million to CHF 60.1 million. During the year, the Group invested CHF 1.5 million in the development of a new ERP system.

## EBIT

EBIT decreased by CHF 4.4 million or 28.9% from CHF 15.2 million to CHF 10.8 million. As a percentage of operating revenue, EBIT amounted to 7.3% compared with 9.8% in the previous year.

Net financial income (expense) amounted to an expense of CHF 0.7 million for exchange losses of CHF 0.5 million and interest expense for lease liabilities of CHF 0.2 million under the new IFRS 16 Accounting Standard. Income tax expense amounted to CHF 4.0 million

## Net income

Net income decreased by CHF 4.6 million or 43.0% from CHF 10.7 million to CHF 6.1 million resulting in earnings per bearer share of CHF 8.55, compared with CHF 15.07 in the previous year. Return on equity amounted to 6.7% compared with 11.0% in the previous year.

## Balance sheet and cash flow

Trade receivables decreased by CHF 2.3 million from CHF 29.0 million to CHF 26.7 million, corresponding to a collection period of 65 days, compared with 67 days in the previous year. Inventories decreased by CHF 5.8 million from CHF 29.7 million to CHF 23.9 million, corresponding to a turnover rate of 2.9. Net working capital decreased by CHF 7.3 million from CHF 35.7 million to CHF 28.4 million. The net cash position during the year decreased by CHF 1.8 million to reach CHF 46.0 million, compared with CHF 47.8 million in the previous year.

Shareholders' equity decreased from CHF 97.5 million to CHF 90.3 million or 68.7% of total assets, after net income of CHF 6.1 million, a translation loss of CHF 4.4 million, dividend payments of CHF 8.5 million and actuarial losses on employee benefit obligations of CHF 0.4 million.

Cash flow decreased by CHF 2.0 million from CHF 14.2 million to CHF 12.2 million. Capital expenditure amounted to CHF 3.9 million, compared with CHF 3.6 million in the previous year.

## Group Profile

### Our mission

Carlo Gavazzi is an international group active in designing, manufacturing and marketing state-of-the-art components for the building and industrial automation sectors.

### Our structure

Under the umbrella of a publicly quoted holding company, headquartered in Steinhausen, Switzerland, Carlo Gavazzi operates its core business, Automation Components. It is the function of the holding company to ensure planning and development of the Group's business portfolio, choose a coherent set of strategies and objectives, monitor their implementation and the efficiency of the corresponding management tools and processes, select the upper-level management, manage corporate finance, tax planning, management information systems, communication and investor relations. Automation Components operates within the framework of defined strategies and objectives; it is responsible for research and development, manufacturing, quality, marketing and sales, human resources, logistics, finance and control. The CEO of Automation Components leads his unit in line with the Carlo Gavazzi Holding's objectives.

### Our objectives

To provide our customers with technologically innovative, high quality and competitive solutions consistent with their requirements and expectations.

To create an environment conducive to our employees' professional and personal development.

To obtain a fair and equitable return for our shareholders through sustained development of our core activities.

### Our principles

To create added value for our customers with our products and services in order to strengthen their market positions and establish long-term partnerships.

To adapt structures and processes to market needs and delegate responsibility.

To promote an environment conducive to mutual respect and cooperation.

To mark clear leadership and integrity by doing what we say.

### Our core activities

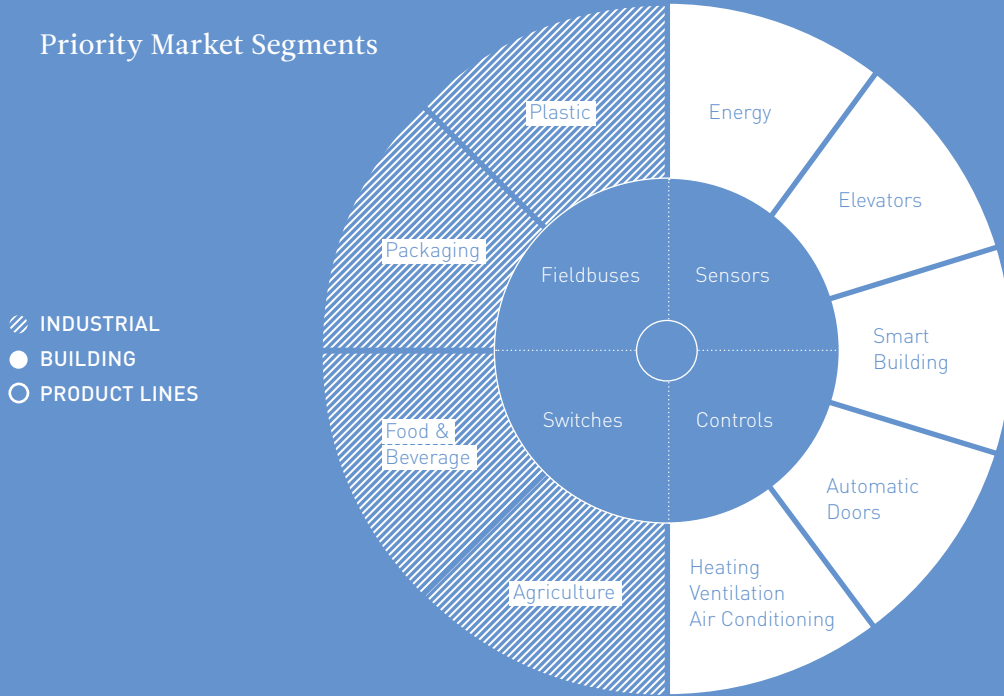
Automation Components designs and manufactures electronic control components for the global building and industrial automation markets in its ISO 9001 certified factories in Italy, Lithuania, Malta and China. The products (sensors, monitoring relays, timers, energy management systems, solid-state-relays, electronic motor controllers, safety devices and fieldbus systems) provide automation solutions for the industrial and building automation markets. Typical customers are original equipment manufacturers of packaging machines, plastic-injection moulding machines, agriculture machines, food and beverage production, conveying and material handling equipment, door and entrance control systems, lifts and escalators as well as heating, ventilation and air conditioning devices. System integrators and distributors are other effective channels to the market. The products are marketed across Europe, North America and Asia-Pacific through a network of 22 own sales companies and around 60 independent national distributors. In addition, Automation Components designs and manufactures signalling equipment and safety relays for the railways market.



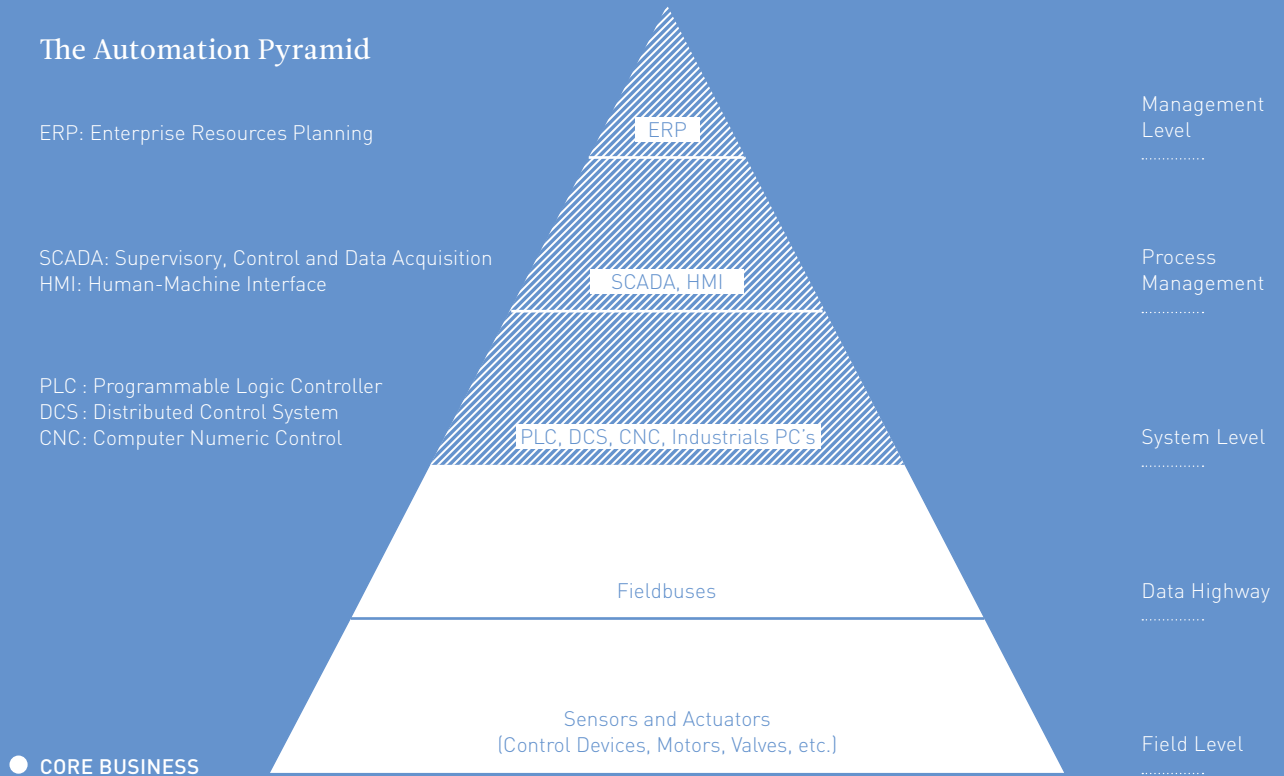
# Our Strategy

Solution-packages for the vertical market segments

## Priority Market Segments



## The Automation Pyramid

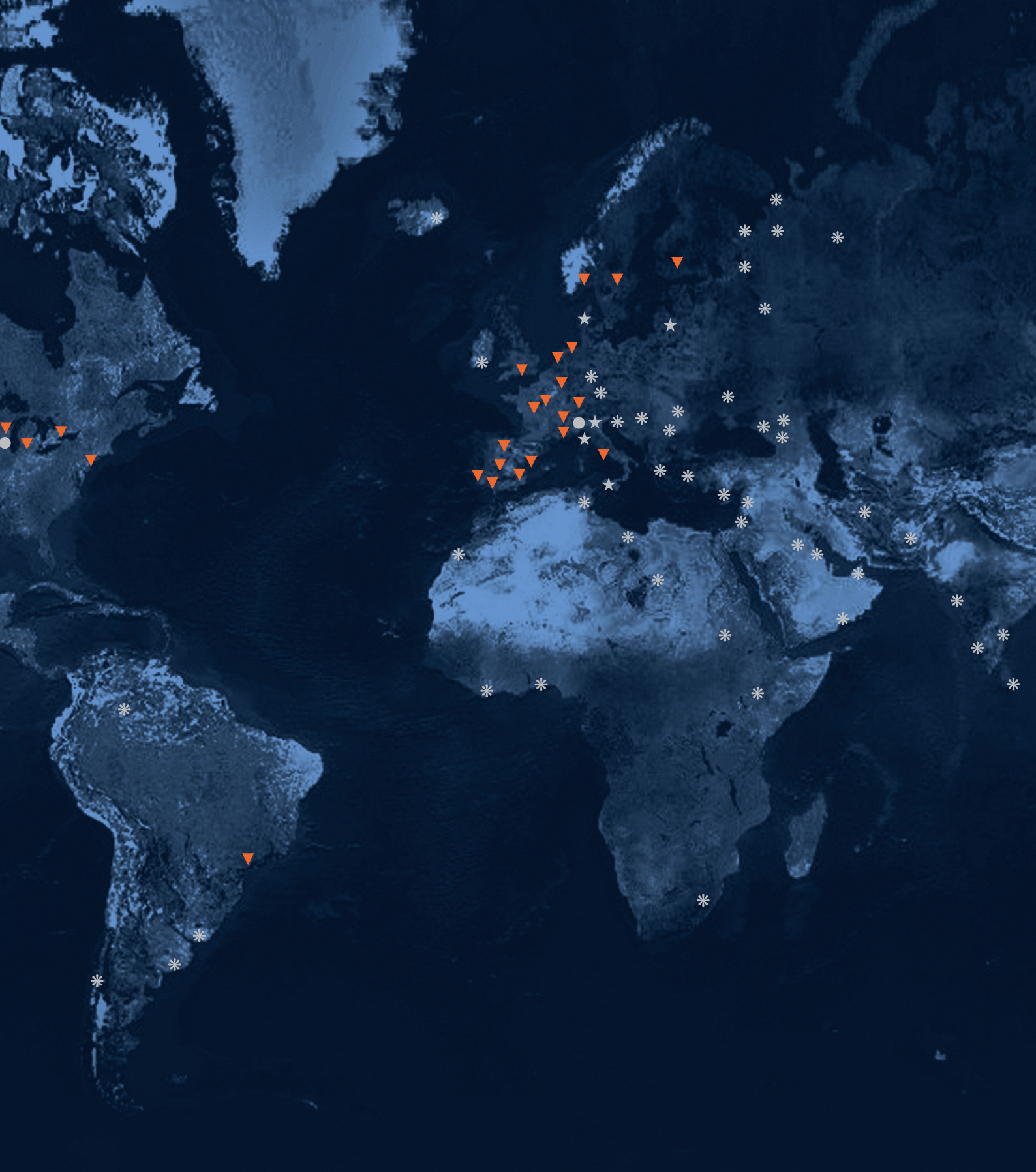


# Global Presence



- ★ R&D AND MANUFACTURING CENTERS
- LOGISTIC CENTERS
- ▼ SALES AND MARKETING
- \* INDEPENDENT DISTRIBUTORS

- 1 — Americas
  - 1 Logistic center
  - 4 Sales companies
  - 5 Area managers



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**2 — EMEA**

- 3 R&D competence centers
- 3 Manufacturing facilities
- 1 Logistic center
- 14 Sales companies
- 4 Regional offices

**3 — Asia-Pacific**

- 1 R&D competence center
  - 1 Manufacturing facility
  - 1 Logistic center
  - 4 Sales companies
  - 6 Regional offices
-



# Corporate Governance

## Carlo Gavazzi Group

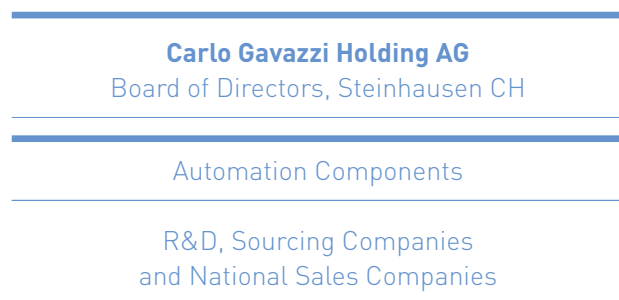
**Carlo Gavazzi is committed to the principles of good corporate governance. The Carlo Gavazzi Group shows responsibility in dealing with the interests of its various stakeholders, which include shareholders, employees, customers and the public. Sound corporate governance principles help to consolidate and strengthen trust in the Group.**

The following representations made by Carlo Gavazzi Holding AG (the "Company", together with its subsidiaries "Carlo Gavazzi Group" or the "Group"), are in accordance with the Directive on Information relating to Corporate Governance (DCG) of SIX Exchange Regulation AG dated June 20, 2019. To the extent not applicable or not material, information required by the directive is not mentioned. The representations also take into

account the Guideline on the Corporate Governance Directive (Guideline DCG) of SIX Exchange Regulation, as fully revised on April 10, 2017. The information is set out in the order required by the DCG, with subsections being summarized to the extent possible. Carlo Gavazzi Group's financial statements comply with IFRS reporting standards, and in certain sections readers are referred to the financial statements and notes in this annual report.

## 1. Group structure and shareholders

The operational Group structure is as follows:



There are no listed companies apart from the Company being listed on SIX Swiss Exchange, Security No. 1100359, ISIN No. CH0011003594 (stock market capitalization CHF 144 984 840 as of March 31, 2020, respectively CHF 181 231 050 as of March 31, 2019). For details regarding non-listed companies, please refer to the Notes to the Consolidated Financial Statements of the Company, note 25 "Subsidiaries", where all consolidated subsidiaries of the Company are listed.

Major shareholders	% of voting rights March 31, 2020
Valeria Gavazzi, Zug (indirectly via Barguzin Participation SA, Zug)	73.85 %
Uberta Gavazzi, Zug	4.95 %

Reports concerning the disclosure of significant shareholdings made to the Company and to the Disclosure Office of the SIX Swiss Exchange can be viewed via the link to the search facility on the Disclosure Office's publication platform at [www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html](http://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html). No new disclosures were published during the financial year under review.

Apart from the shareholders mentioned above, there are no other major shareholders known to the Group holding more than 3% of the Company's voting rights. No cross-shareholdings exist.

## 2. Capital structure

The fully paid-up share capital of the Company amounts to CHF 10 660 650, divided into 1 600 000 non-listed registered shares with a par value of CHF 3 each and 390 710 bearer shares with a par value of CHF 15 each, which are listed on the SIX Swiss Exchange. Each share carries one vote and each share is entitled to dividend payments. Further information on the shares issued by the Company is available at [www.carlogavazzi.com/en/investors/shares.html](http://www.carlogavazzi.com/en/investors/shares.html). For further details regarding the share capital of the Company, refer to the Notes to the Financial Statements of the Company, note 3 "Share Capital" as well as to article 6 of the Articles of Association, governing the exclusion of shareholders' subscription rights (the Articles of Association are available at [www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d](http://www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d) (German only)). As of March 31, 2020 the Company had no authorized capital and no conditional capital. There were no changes in the share capital, the authorized capital and the conditional capital during the annual reporting period that ended on March 31, 2020 and the preceding two financial years. The Company has not issued any profit-sharing certificates (Genussscheine) or participation certificates (Partizipationsscheine). There are no restrictions on transferability or registration of shares. With regard to registered shares, the purchaser has to provide to the Company certain information and declare that he purchased the shares in his own name and on his own account ("trustee registration") as further set out in article 5 of the Articles of Association (the Articles of Association are available in German at [www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d](http://www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d)). There are no convertible bonds or options issued by the Company or any of its subsidiaries with respect to the shares of the Company.

## Board of Directors

### 3. Board of Directors

The Board of Directors currently comprises four members.



CHAIRMAN / NON-EXECUTIVE

**VALERIA GAVAZZI**

Born August 2, 1974

**Swiss and Italian national, Zug**

First elected 2009,  
elected until 2020

- Graduated in economics and business administration, IGS, Paris
- Managing Director of Barguzin Consultancy GmbH from 2004 until 2009
- Chairman of Carlo Gavazzi Holding AG since July 2009
- Managing Director of Barguzin Participation SA, Zug, since 2015



VICE-CHAIRMAN / NON-EXECUTIVE

**STEFANO PREMOLI TROVATI**

Born December 1, 1971

**Italian national, Milan**

First elected 2008,  
elected until 2020

- Graduated in economics and corporate law, Cattolica University, Milan
- Postgraduate degree in tax law
- Managing Director of Barguzin Participation SA, Luxembourg, 2009 until 2015
- Partner of the tax and law firm TFP & Partners since 2009
- Member of the Board of Ceresio SIM, Milan, Italy, since 2016
- Member of the Board of Eurofin-leading Fiduciaria S.p.A., Milan, Italy, since 2016
- Member of the Board of Global Selection SGR, Milan, Italy, since 2017
- Various other board memberships and positions as statutory auditor



DIRECTOR / NON-EXECUTIVE

**FEDERICO FOGLIA**

Born April 28, 1969

**Swiss national, London**

First elected 2004,  
elected until 2020

- Graduated in economics and political sciences, Bocconi University, Milan
- Held positions with Merrill Lynch, London, from 1996 until 2000
- Managing Director of Banca del Ceresio, Lugano, from 2000 until 2014
- Executive Director, since 2014, and member of the Board of Belgrave Capital Management, London, since 2003
- Member of the Board of Ceresio SIM, Milan, Italy, since 2006
- Member of the Boards of Centro Stampa Ticino SA, since 2010, Società Editrice Corriere del Ticino SA, since 2011, and Corriere del Ticino Holding SA, Muzzano, Switzerland, since 2012
- Member of the Board of Global Selection SGR, Milan, Italy, since 2014
- Member of the Board of AIDA Marketing SA, Muzzano, Switzerland, since 2018





DIRECTOR / NON-EXECUTIVE

**DANIEL HIRSCHI**

Born March 19, 1956

**Swiss national, Biel**

First elected 2010,  
elected until 2020

- Graduated as an engineer in Biel, Switzerland
- Attended AMP/SMP Advanced Management Program at Harvard Business School
- Developed his professional career during 23 years in Saia Burgess, a Swiss industrial company in the electro mechanical and electronics field
- CEO of Saia Burgess from 2001 until 2006
- Bearer shareholders' representative of Carlo Gavazzi Holding AG since July 2010



SECRETARY TO THE BOARD

**RAOUL BUSSMANN**

**Swiss national, Zug**

- University of Zurich, Doctorate in jurisprudence
- Legal Counsel and member of the Corporate Legal Staff of Sulzer Brothers Limited, Winterthur, Switzerland, from 1981 until 1986
- General Counsel and head of the Corporate Legal Staff of Landis & Gyr AG, Zug, from 1986 until 1991
- Attorney at Law and Notary in Zug since 1991 and partner at the law firm Stadlin Advokatur Notariat in Zug from 1998 until 2016
- Partner at the law firm Kaiser Odermatt & Partner, Zug, since 2016
- Secretary to the Board of Directors of Carlo Gavazzi Holding AG since July 2009

## **Executive Management and independence of the Board of Directors**

None of the members of the Board of Directors have served in the Executive Management of the Company or of any of its direct or indirect subsidiaries in the three financial years preceding the period under review. Valeria Gavazzi and Stefano Premoli Trovati have served on the Boards of Directors of direct or indirect subsidiaries of the Company. Valeria Gavazzi is a significant shareholder of the Company.

For additional information on members of the Board of Directors and “Related Party Transactions” refer to note 23 “Related party transactions” to the Consolidated Financial Statements of Carlo Gavazzi Holding AG, note 4 “Significant shareholders and their shareholdings” to the Financial Statements of Carlo Gavazzi Holding AG, section 1 of this report concerning the disclosure of significant shareholdings as well as to section 2 “Remuneration expense” to the compensation report.

## **Restrictions on positions outside the Carlo Gavazzi Group**

According to article 28 of the Articles of Association (the Articles of Association are available in German at [www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d](http://www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d)), a member of the Board of Directors may hold up to twenty additional mandates as a member of the highest-level governing or administrative body of companies outside the Carlo Gavazzi Group, five thereof in listed companies. Mandates with associated companies outside the Carlo Gavazzi Group are deemed to be a single mandate, as long as not more than ten mandates are being held within such a group of associated companies.

## **Election, terms of office and internal organization**

The Board of Directors of the Company comprises at least three members. They are elected by the AGM on an individual basis for a term of one year. Re-election is permitted. There is no limit to the terms of office. The statutory age limit is 70 years. The Chairman is elected annually by the AGM. Re-election is permitted. The Articles of Association are available in German on the Group’s website at [www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d](http://www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d).

## **Areas of responsibility – Board of Directors**

The Board of Directors establishes the strategic, accounting, organizational and financing policies to be followed by the Group. It supervises, controls and advises the Group’s management. The Board of Directors has put in place reporting and controlling processes to ensure it has sufficient information to make appropriate decisions. The Board of Directors regularly reviews the operational and financial results and approves budgets as well as consolidated financial statements. The Board of Directors appoints the Group’s executive officers. On a regular basis, the CFO reports the financial results and forecasts to the Board of Directors, whereas the CEO of Automation Components regularly reports to the Board of Directors regarding the industrial and commercial business activity. The Board of Directors has established an Audit Committee (the “AC”) and the Compensation Committee (the “CC” – whose members are elected by the AGM) to carry out certain duties as set out below. Further, as a means to exercise supervision over the Business Unit, the Board of Directors has established the Strategic Management Board (the “SMB”).

The SMB regularly reports to the Board of Directors with respect to its supervision activities of the Business Unit and submits for approval to the Board of Directors the strategies of the Group. Other members of management report to the Board of

Directors as necessary. The Board of Directors has a quorum when the majority of its members are present. Its decisions are taken by a simple majority of the attending members. In case of a tied vote, the Chairman has the casting vote.

The Board of Directors holds a minimum of four meetings per year including a strategy review meeting and a budget meeting in November and March, respectively. The meetings of the Board of Directors usually last for a whole day. The CEO of Automation Components attends these meetings as required. The CFO regularly assists the Chairman in the presentation and discussion of the financial results. In the reporting period, the Board of Directors held four full-day meetings including one strategy review meeting and one budget meeting as well as three conference calls. The CFO attended all of the four full-day meetings in an advisory capacity. The attendance of the CEO of Automation Components at the four meetings in an advisory capacity was related to business operations and on average lasted for approximately half a day. No members of the Executive Management took part in the conference calls. No external consultants attended the meetings and the conference calls.

### **Audit Committee (AC)**

The prime function of the Audit Committee is to assist the Board of Directors in fulfilling its supervisory responsibilities. It evaluates the independence and effectiveness of external auditors, approves auditing services to be performed by the external auditors and their related fees, evaluates business risks, assesses the quality of financial accounting and reporting, evaluates scope and overall audit plans, reviews audit results and monitors compliance with specific laws and regulations governing the financial statements. The Audit Committee may ask any questions at all times when deemed necessary through the Chief Financial Officer and may have direct contact with the Group's auditors and other professional organizations. The Audit Committee is acting in an

advisory capacity and its proposals are subject to the approval of the entire Board of Directors. During the financial year 2019/20, the Audit Committee consisted of Stefano Premoli Trovati (Chairman) and Daniel Hirschi. The Audit Committee meets as often as business requires. In the reporting period, the Audit Committee held two meetings, each with the participation of the Group's auditors. The CFO in an advisory capacity attended both meetings in full. No external consultants or other members of the Executive Management attended the meetings. On average, the meetings lasted for approximately half a day.

### **Compensation Committee (CC)**

The Compensation Committee comprises of at least two members, each elected by the AGM for a one-year term. Re-election is permitted. The prime function of the Compensation Committee is to assist the Board of Directors in preparing and proposing to the Board of Directors compensation guidelines in line with the overall strategy. It prepares and proposes to the Board of Directors the compensation levels for the Board of Directors and its Committees. In addition, it prepares and proposes to the Board of Directors the terms of employment of the Chairman, the Vice-Chairman of the Board of Directors and of the Executive Management. It also prepares and proposes to the Board of Directors a compensation policy for the Group (including Automation Components) that fairly rewards performance and effectively attracts and retains the human resources necessary to successfully lead and manage the unit. The Compensation Committee prepares, monitors and proposes to the Board of Directors compensation plans including any modifications to such plans for executives reporting to the Board of Directors or to the Chairman of the Board of Directors, including Automation Components' first-line managers. Upon request of the Board of Directors, it prepares and proposes to the Board of Directors long-term incentive plans.

In the financial year 2019/20, the Compensation Committee consisted of Daniel Hirschi (Chairman), Federico Foglia and Stefano Premoli Trovati. The Compensation Committee meets as often as business requires. In the reporting period, the Compensation Committee met three times. No external consultants or members of the Executive Management attended the meetings. On average, the meetings lasted for approximately two hours.

According to article 8(4) of the Articles of Association (the Articles of Association are available in German at [www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d](http://www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d)), the compensation of the Board of Directors and the Executive Management has to be approved by the AGM.

### Strategic Management Board (SMB)

The SMB develops and submits for approval to the Board of Directors the strategies of the Group. Further, the SMB supervises the business. In these functions, the SMB, inter alia, reviews the accounts of Automation Components and the consolidated accounts of the Group, manages budget deviations and takes the necessary corrective actions.

The SMB develops and discusses strategic opportunities, coordination requirements and common services. The SMB further develops and discusses policies, procedures and regulations and drives special projects. It develops and discusses sales and procurement synergies and develops marketing, finance, personnel and IT policies.

In the financial year 2019/20, the SMB consisted of Valeria Gavazzi (Chairman), Daniel Hirschi, Stefano Premoli Trovati, the CEO of Automation Components (Vittorio Rossi) and the CFO (Anthony M. Goldstein until February 29, 2020 and Dr. Lorenzo Trezzini from March 1, 2020). The CFO of Automation Components attended the meetings. The SMB meets as often as business requires. In the reporting period, the SMB met nine times. On average, the meetings lasted for approximately half a day.

### Members of the Committees of the Board of Directors and members of the Board of Directors being members of the SMB

Name	Audit Committee	Compensation Committee	SMB
Valeria Gavazzi			*
Stefano Premoli Trovati	*	▼	▼
Federico Foglia		▼	
Daniel Hirschi	▼	*	▼

\* Chairman    ▼ Member

### Reporting to the Board of Directors

Frequency	Content
Monthly	Key P&L information on – Automation Components sub-consolidated – Group consolidated with previous year and budget comparisons
Quarterly	P&L, balance sheets, investments and personnel – Automation Components sub-consolidated – Group consolidated with previous year, budget comparisons and year-end estimate
Semi-annually	Interim reports meeting the requirements of the SIX Swiss Exchange
Annually	All information necessary to establish the annual report governed by IFRS and the rules applicable to companies quoted on the SIX Swiss Exchange

The Board of Directors is regularly informed about the Group's performance according to the latest Management Information System (MIS) reporting for which the CFO is responsible. Furthermore, the annual budget and the strategic plan are subject to approval by the Board of Directors. Ad hoc information is reported to the Board of Directors when deemed necessary. Each year, the Company

conducts a risk assessment process. This process is based on bottom-up assessment by the responsible first-line managers of the Group. Risks are rated by impact and probability of occurrence and mitigating measures and operational responsibilities are defined. The risk assessment process is evaluated in a specific committee and identified risks and mitigating actions are reported to the Board of Directors of the Company.

#### 4. Executive Management

According to article 29 of the Articles of Association (the Articles of Association are available in German at [www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d](http://www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d)), the employment agreements with the members of the Executive Management must either have a fixed term of not more than one year, or an unlimited term with a notice period of not more than twelve months.

##### **Areas of responsibility – CEO of Automation Components**

The CEO of Automation Components leads the Business Unit Automation Components. Automation Components is currently the only Business Unit. In his function he reports to the Chairman of the SMB. Operationally responsible for Automation Components, he ensures the integration and coordination of the subsidiaries' activities towards the overall achievement of the Group's goals. Within the limits of the law and with the exception of those competencies that are reserved to the Board of Directors or delegated otherwise, the Board of Directors delegates to the CEO of Automation Components the overall management of the industrial and commercial activities of Automation Components and the conduct of the day-to-day business of the various companies belonging to it. His main responsibilities are: management of Automation Components, preparation of alternatives and proposals for the SMB in all matters relating to

the activities of Automation Components, execution of decisions of the Board of Directors and the SMB, regular reporting to the Board of Directors and the SMB on business activities and important events, support to the Chairman on matters of M&A.

The CEO of Automation Components can delegate part of his functions to other persons. In particular, it is his task to define responsibilities and competencies within the Business Unit. However, such delegation does not release the CEO of Automation Components from the responsibility of the overall management and results of Automation Components.

##### **Areas of responsibility – Chief Financial Officer of the Group (CFO)**

The CFO is responsible for organizing and supervising all financial aspects of the Group. In the performance of his tasks he provides guidance to and is assisted by the CFO of Automation Components. He implements all decisions of the Board of Directors and of the SMB with regard to financial matters and is responsible for the flow of information to the Board of Directors in regard to those matters.

In particular, the CFO's responsibilities include: ensuring a timely and adequate reporting system to the Board of Directors and the SMB, including budgets and mid-term projections, organizing and implementing the financial planning, tax planning, organizing and supervising the Group banking relations, assisting the Chairman as required in investor relations, representing the Group towards financial institutions, providing for a timely completion of the financial portion of the interim and the annual report, both on a consolidated basis for the Group and on a stand-alone basis for the Company.

The executive management responsibility lies with the CEO of Automation Components and the CFO. They have the executive management responsibility in their respective roles.



CEO AUTOMATION COMPONENTS

**VITTORIO ROSSI**

Born May 8, 1958

**Italian national**

- Graduated in electrical engineering, Politecnico of Milan
- Held various management positions with the Siemens Group in Germany, Italy and USA from 1985 until 2002
- CEO of Siemens SpA, Milan, from 2002 until 2005
- CEO of Gewiss SpA, Bergamo, Italy, from 2005 until 2007
- CEO of Automation Components since June 2009



CHIEF FINANCIAL OFFICER (CFO)

UNTIL FEBRUARY 29, 2020

**ANTHONY M. GOLDSTEIN**

Born March 11, 1949

**Swiss and British national**

- Chartered Accountant FCA
- Audit and training manager at Deloitte, Zurich, from 1975 until 1982
- Joined Group in 1982
- Head of Group Reporting
- Group Controller
- Secretary to the Board from 1983 until 2009
- Chief Financial Officer from 2007 until 2020
- Member of Board of Swisscanto Collective Foundation of the Cantonal Banks since 2014
- Member of the Zurich Rental Conciliation Authority since 2014



CHIEF FINANCIAL OFFICER (CFO)

FROM MARCH 1, 2020

**LORENZO TREZZINI**

Born August 1, 1968

**Swiss national**

- MBA (lic. oec.) and PhD in economics (Dr. oec.), University of Zurich, Swiss CPA
- Audit manager at Deloitte, New York and Zurich, from 1994 until 2001
- Corporate Finance Manager at Ernst & Young, Zurich, from 2001 until 2002
- Investment Manager at Invision AG, Zug, from 2002 until 2004
- CFO of Valartis Group and Valartis Bank, from 2004 until 2008
- CFO of Valora Group, from 2008 until 2012
- Corporate Consultant, from 2013 until 2014
- CFO of Implantica Group, from 2015 until 2020
- Chief Financial Officer of Carlo Gavazzi Group since 2020



EXTERNAL CORPORATE  
COMMUNICATIONS

**ROLF SCHLÄPFER**  
Swiss national

- Senior Partner of Hirzel.Neef.Schmid.  
Konsulenten AG, Zurich
- External corporate communications  
of the Carlo Gavazzi Group  
since January 1, 2011

Rolf Schläpfer is not a member of the  
Executive Management and is not an  
employee of the Group.

## External Corporate Communications

The function of Corporate Communications is executed by Rolf Schläpfer.

In his function he reports to the Chairman. He is responsible for the elaboration of the Group's communications strategy, for its final definition in close coordination with the Chairman of the Board of Directors and for its implementation.

In particular, this includes: continuous review of the Group's communications activities with the purpose of enhancing or redefining the Group's positioning towards all stakeholders, preparation of the Group's media releases, participation in media conferences, shareholders' meetings and investor meetings, coordination of all main events such as media conferences and AGMs, organization of any other events such as interviews and meetings with the media and the financial community, assistance to the Chairman and other members of the management in the preparation of public statements.

## Restrictions on positions outside the Carlo Gavazzi Group

According to article 28 of the Articles of Association (the Articles of Association are available in German at [www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d](http://www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d)), a member of the Executive Management may hold up to three additional mandates as a member of the highest-level governing or administrative body of non-listed companies outside the Carlo Gavazzi Group. No additional mandates may be held in listed companies. Mandates with associated companies outside the Carlo Gavazzi Group are deemed to be a single mandate, as long as not more than ten mandates are being held within such a group of associated companies.

Members of the Executive Management require the prior approval of the Board of Directors, or, if delegated, of the Compensation Committee, to accept positions/employment outside the Carlo Gavazzi Group.

## Management contracts

There are no management contracts in existence pertaining to management tasks that have been delegated to third parties except for a consultancy agreement with Hirzel.Neef.Schmid. Konsulenten AG, Zurich, for the Group's corporate communications. The agreement provides for a monthly flat fee of CHF 9 000 as compensation for the services rendered and may be terminated at any time with a notice period of one month.

## 5. Compensation

For details relating to the compensation of present and former members of the Board of Directors and of the Executive Management, please refer to the 2019/20 compensation report included in the annual report 2019/20 (available at [www.carlogavazzi.com/en/investors/annual-report.html](http://www.carlogavazzi.com/en/investors/annual-report.html)).

Statutory rules regarding the principles of compensation, loans, credits and pension benefits are set out in articles 25 and 30 of the Articles of Association (the Articles of Association are available in German at [www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d](http://www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d)). The rules regarding approval of the compensation of the Board of Directors and the Executive Management by the AGM are set out in articles 26, 27 and 29 of the Articles of Association. The Articles of Association are available in German at [www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d](http://www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d).

## 6. Shareholders' participation rights

There are no restrictions on the use of voting rights by any group of shareholders. Statutory rules for participating at meetings of shareholders do not differ from the applicable legal provisions. The AGM passes its resolutions by absolute majority of the votes cast, to the extent the law or the Articles of Association do not provide otherwise. The Articles of Association do not provide for any resolutions that would require a majority greater than that required by law. Convocation of the meetings of shareholders and rules for adding items to the agenda of the meetings of shareholders, especially rules on deadlines, are in accordance with the applicable legal provisions. Shareholders representing shares of a par value of CHF 1 000 000 may request items to be included in the agenda. The putting on the agenda has to be requested in written form listing the items and the motions. While there is no set deadline, for administrative reasons such request must be submitted to the Company timely prior to the distribution of the AGM invitation.

All shareholders entered into the share register will be admitted to the meetings of shareholders and are entitled to vote. For administrative reasons, no new entries will be made during the ten days preceding a meeting of shareholders. Shareholders who dispose of their shares before a meeting of shareholders are not entitled to vote.

Each shareholder with voting rights may have his shares represented by a proxy that he/she has appointed or by the independent proxy. The AGM annually elects the independent proxy, whose term of office ends at the conclusion of the next AGM. Re-election is permitted. If the Company does not have an independent proxy, the Board of Directors appoints an independent proxy for the next AGM.



The Company enables its shareholders to transfer their votes to the independent proxy by electronic means through the platform Sherpany ([www.sherpany.com](http://www.sherpany.com)) for any general meeting. The relevant description of the procedure to register and vote through the platform is sent to shareholders who are registered in the share register upon their request.

## 7. Changes of control and defense measures

There are no statutory rules in existence relating to opting out or opting up in connection with the duty to make an offer. Furthermore, there are no agreements in existence relating to changes of control.

## 8. Auditors

PricewaterhouseCoopers AG, Zug, have been the group auditors and statutory auditors since 1979. The auditors are elected by the AGM for a period of one year. The lead auditor, Thomas Illi, assumed his mandate in July 2017. In accordance with Swiss law, the lead auditor will rotate every seven years. The next change will be in 2024/25.

The audit fees charged by PricewaterhouseCoopers in 2019/20 amounted to CHF 518 416. For additional services the Group paid PricewaterhouseCoopers the sum of CHF 73 446, representing CHF 46 492 for tax consulting services and CHF 26 954 for other additional services relating mainly to coaching and supporting group subsidiaries.

Fees charged in 2019/20 by other audit companies for auditing certain subsidiaries amounted to CHF 106 513.

The Audit Committee reviews annually the scope of the audit, the audit focus areas, the audit plan, as well as the results of the audit including key audit matters and overall assessment. Further, the Audit Committee reviews any questions, comments, or suggestions of the auditors regarding internal control, significant risks and accounting practices and procedures. In addition to the audit reports on the consolidated financial statements and the statutory financial statements of Carlo Gavazzi Holding AG, the auditors prepare annually a detailed report to Audit Committee and the Board of Directors. The Audit Committee discusses the report and the results of the audit in detail with the auditors. The auditors are also present at meetings of the Audit Committee as required. For the reporting period, the Audit Committee held two meetings with PricewaterhouseCoopers AG.

The Audit Committee regularly evaluates the independence, fees and the effectiveness of the external auditors. The reports and presentations composed by the auditors, the discussions in the meetings, the factual and objective perspectives and the expertise form the basis for the assessment of the Board of Directors regarding the auditors' performance and the fees paid for the audit services provided. The Audit Committee verifies that any additional services of the auditors not relating to the audit services are provided within the independence requirements pursuant to Swiss law. The auditors are required to confirm that their performance of these additional services had no influence on the conduct or outcome of the audits mandated by law.

## 9. Information policy

The Carlo Gavazzi Group has an open information policy and sets as its goal to treat all target groups equally. When the annual results are released, the Group organizes a conference for the media and the investor community to discuss details related to its performance and its business. In addition to the annual report and the interim report, the Group provides the media with information on relevant changes and developments.

Such data can also be obtained from the Group's website at [www.carlogavazzi.com/media](http://www.carlogavazzi.com/media). The Company's official means of communication is the Swiss Official Gazette of Commerce.

As a company listed on the SIX Swiss Exchange and in line with article 53 et seq. of the Listing Rules dated November 8, 2019 (ad hoc publicity), the Group publishes all information relevant to its share price. In compliance with the Directive on Ad hoc Publicity dated March 20, 2018, the Group offers a service on its website that allows interested parties to receive via e-mail distribution timely notification of potentially price-sensitive facts ([www.carlogavazzi.com/registration](http://www.carlogavazzi.com/registration)). In addition, any ad hoc notice will be made available on the Group's website simultaneously. All media releases can be viewed under [www.carlogavazzi.com/media](http://www.carlogavazzi.com/media).

The financial calendar for the financial year 2020/21 is available inside the back cover of this annual report and can also be viewed on the Group's website under [www.carlogavazzi.com/en/investors/financial-calendar.html](http://www.carlogavazzi.com/en/investors/financial-calendar.html).

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Corporate Headquarters:  
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Switzerland  
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# Compensation Report

## Carlo Gavazzi Group

### 1. Remuneration philosophy and basic principles

#### General

The Compensation Report provides information on the remuneration system and the compensation paid to the members of the Board of Directors and of the Executive Management of Carlo Gavazzi for the financial years 2019/20 and 2018/19.

The Company issues its Compensation Report separate from the Corporate Governance Report. The Compensation Report is written in accordance with the Ordinance against Excessive Compensation in Listed Companies Limited by Shares, the Directive on Information Relating to Corporate Governance of the SIX Swiss Exchange (DCG) and the Swiss Code of Best Practice for Corporate Governance of the Swiss Business Federation (economiesuisse).

#### Remuneration objective

The compensation system at Carlo Gavazzi accords with the Company's corporate strategy and aligns the interests of the leadership team and employees with those of our shareholders. It is considered to be an important factor in attracting, motivating and retaining people with the talent essential to strengthen the Company's position in the global market of designing, manufacturing and marketing electronic equipment.

#### Governance

The Board of Directors has the overall responsibility for defining the compensation principles at Carlo Gavazzi. On an annual basis, based on the proposal of the Compensation Committee and subject to its own review, the Board of Directors ultimately decides in compliance with art. 25 and

27 of the Articles of Association (available at [www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d](http://www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d)), on the total compensation for the members of the Board of Directors and of the Executive Management, including the variable compensation. These decisions are approved by the shareholders at the Annual General Meeting in accordance with Art. 26 of the Articles of Association (available at [www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d](http://www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d)).

#### Compensation Committee

The members of the Compensation Committee are individually elected by the shareholders at the Annual General Meeting.

The prime function of the Compensation Committee is to assist the Board of Directors in setting the compensation policies for the Board of Directors and the Executive Management of the Company as well as in determining the overall compensation policies of Carlo Gavazzi. It also prepares and proposes to the Board of Directors compensation guidelines in line with the overall corporate strategy, compensation levels, compensation structure and aggregate compensation amounts for the Board of Directors and the Executive Management. The Compensation Committee may retain external consultants to provide support in fulfilling its duties.

To determine appropriate compensation levels for the members of the Board of Directors and of the Executive Management, the Compensation Committee takes into account publicly available information on remuneration for internationally active Swiss Small Cap peer companies classified in the Industry Classification Benchmark (ICB) sector 2730 for Electronic and Electrical Equipment industrial companies. The peer group was reviewed in 2019 and consist of: ELMA, Sensirion, Schaffner, Cicor, von Roll and Phoenix Mecano. In addition, in relation to the appointment of the new CFO, the Compensation Committee mandated in 2019 the

executive search consulting firm Russell Reynolds Associates which provided the company with a fairness opinion on the compensation package proposed for the new CFO. This consulting company does not hold any other mandates from Carlo Gavazzi. During the financial year 2019/20, no other external advisors were consulted on the determination of the compensation. Based on the proposal of the Compensation Committee and subject to its own review, the Board of Directors ultimately decides on the compensation on an annual basis.

For details regarding the members and the responsibilities of the Compensation Committee please refer to the report on Corporate Governance on pages 23 and 24 of the annual report.

### **Benefits, contractual terms on leaving the Company**

Members of the Board of Directors are individually elected at the Annual General Meeting for terms of one year and accordingly have no fixed employment agreements.

Employment contracts with members of the Executive Management do not contain unusually long notice periods or contract durations of more than 12 months. There are neither mandate agreements nor contractual severance agreements.

### **Compensation – Board of Directors**

For their service in the Board of Directors, the members receive a fixed annual fee for the duration of their one-year term as well as a fixed daily fee, including expenses, for attending meetings of the Board of Directors and for their duties in the respective Committees (Audit and Compensation Committees). For participation in other meetings such as the Strategic Management Board (SMB) and Ad hoc meetings, members of the Board of

Directors are additionally remunerated with a daily fee prorated on an eight hour working day, plus expenses. The compensation comprises cash payment, relevant social security contributions and other expenses. The compensation of the members of the Board of Directors is not bound to specific targets of the Group. There are no share option plans in existence.

The members of the Board of Directors with respect to whom the compensation is being determined are excluded from attending the relevant part of the meeting of the Board of Directors and have no right to a say in decisions relating to their own compensation.

The Chairman of the Board of Directors has renounced receipt of all Board compensation.

### **Compensation – Executive Management**

The compensation of the members of the Executive Management consists of a fixed portion and a variable cash component related to individual and corporate performance. There are no share option plans in existence. The compensation includes salary, employer's contribution to social security as well as other expenses.

The fixed base salary takes into account the responsibility assumed by the respective member of the Executive Management, individual qualifications and market levels of remuneration for the respective country and position.

For the CEO of Automation Components (ACBU), the variable portion of the compensation relates to specific, individual, measurable targets set out by the Board of Directors. In the financial years 2019/20 and 2018/19 the targets were based on EBITDA and Operating Revenue, each weighted 45% and Net Working Capital Turnover 10%. The variable portion is evaluated based on target attainment at the end of the financial year. The variable compensation

ranges between 0% and 54% of the base salary. For the financial year 2019/20, the CEO of Automation Components received a one-off bonus payment in recognition of loyalty during his 10-year tenure at Carlo Gavazzi.

For the CFO, the variable portion of the compensation relates to individual performance and is determined by the Board of Directors at its qualitative discretion. The variable compensation ranges between 0% and 20% of the base salary.

For the financial year 2019/20, a one-off payment was paid to the new CFO to compensate him for disadvantages suffered as a result of his change of employment.

The members of the Executive Management with respect to whom the compensation is being determined are excluded from attending the relevant part of the meeting of the Board of Directors and have no right to a say in decisions relating to their own compensation.

## 2. Remuneration expense

### Compensation to members of the Board of Directors

2019/20 (in CHF 1 000)	Valeria Gavazzi Chairman*	Stefano Premoli Trovati Vice-Chairman	Federico Foglia Member	Daniel Hirschi Member	Total
Board fee, gross	-	152	69	154	375
Employer's contribution to social security	-	12	6	14	32
Other compensation	-	-	-	19	19
<b>Total</b>	-	<b>164</b>	<b>75</b>	<b>187</b>	<b>426</b>

2018/19 (in CHF 1 000)	Valeria Gavazzi Chairman*	Stefano Premoli Trovati Vice-Chairman	Federico Foglia Member	Daniel Hirschi Member	Total
Board fee, gross	-	143	71	156	370
Employer's contribution to social security	-	11	6	13	30
Other compensation	-	-	-	8	8
<b>Total</b>	-	<b>154</b>	<b>77</b>	<b>177</b>	<b>408</b>

[\*] The Chairman of the Board of Directors has renounced receipt of all Board compensation. Between the financial years 2019/20 and 2018/19, compensation of the Board of Directors did not change materially.

Stefano Premoli Trovati is also partner of the tax and law firm of TFP & Partners. During the year, the Group received advisory services from Stefano Premoli Trovati for a total of CHF 73 (2018/19: CHF 96). In addition, he received board fees from subsidiary companies of CHF 27 (2018/19: CHF 28).



## Compensation to members of Executive Management

2019/20 (in CHF 1 000)	Vittorio Rossi CEO ACBU	Lorenzo Trezzini CFO	Anthony M. Goldstein Former CFO	Total Group Management
Base salaries (fixed), gross	444	20	175	639
Bonus (variable), gross	16	-	-	16
Bonus, gross (one-off special award)	110	-	-	110
One-off compensation fee, gross	-	50	-	50
Employer's contribution to social security	189	7	14	210
Other compensation	5	2	11	18
<b>Total</b>	<b>764</b>	<b>79</b>	<b>200</b>	<b>1 043</b>

2018/19 (in CHF 1 000)	Vittorio Rossi CEO ACBU	Anthony M. Goldstein CFO	Total Group Management
Base salaries (fixed), gross	424	190	614
Bonus (variable), gross	101	-	101
Employer's contribution to social security	170	31	201
Other compensation	5	12	17
<b>Total</b>	<b>700</b>	<b>233</b>	<b>933</b>

The compensation of the Executive Management includes the compensation for the former CFO Anthony M. Goldstein as Member of the Executive Management until February 29, 2020 (11 months) as well as the compensation for the new CFO Lorenzo Trezzini appointed as of March 1, 2020 (1 month).

The change in the compensation of the Executive Management between financial years 2019/20 and 2018/19, results from (i) the change in the bonus of the CEO of Automation Components between the financial year 2019/20 and 2018/19 which relates to both, a decreased achievement of the performance targets used to determine compensation and a one-off bonus payment in recognition of the CEO's 10-year tenure at Carlo Gavazzi (see Section 1 "Compensation – Executive Management" above) and (ii) the composition of the Executive

Management, with the appointment of Lorenzo Trezzini (replacing Anthony M. Goldstein as of March 1, 2020) as the new CFO, who was entitled to a one-off payment to compensate him for disadvantages suffered as a result of his change of employment.

The compensation of Vittorio Rossi, CEO ACBU, is denominated in EUR and converted using the average EUR/CHF exchange rate of the year.

### Loans and credits to the members of the Board of Directors or Executive Management

Statutory rules regarding the principles of compensation, loans, credits and pension benefits are set out in Art. 30 of the Articles of Association (available at [www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d](http://www.carlogavazzi.com/files/media/files/6930b8b2b86c52483ef5f9ca5828ed9d)).

There were no company loans nor credits outstanding to current or former members of the Board of Directors, Executive Management or any related party as of March 31, 2020 and 2019, respectively.

### **Compensation to former members of the Board of Directors or Executive Management**

No compensation was paid to former members of the Board of Directors during the financial years 2019/20 and 2018/19, respectively.

Anthony M. Goldstein, as former member of the Executive Management continued to receive a total compensation amounting to CHF 18 056 (including base salary, employer's contribution to social security as well as other expenses) for work performed during the first transition month of March 2020 (amount not included in the compensation to members of the Executive Management). No compensation was paid to former members of Executive Management during the financial year 2018/19.

### **Compensation to related parties**

Compensation to any related parties during the financial years 2019/20 and 2018/19, respectively, was market compliant.

Details on related party transactions can be viewed in note 23 to the Consolidated Financial Statements of the Company.

## Report of the Statutory Auditor

# Report of the statutory auditor

to the General Meeting of Carlo Gavazzi Holding AG

Steinhausen

We have audited the remuneration report of Carlo Gavazzi Holding AG for the year ended 31 March 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in note 2 on pages 36 to 38 of the remuneration report.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the remuneration report of Carlo Gavazzi Holding AG for the year ended 31 March 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Thomas Illi  
Audit expert  
Auditor in charge



Daniel Wyss  
Audit expert

Zug, 23 June 2020

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# Consolidated Financial Statements

for the years ended March 31, 2020 and 2019

# Statements of Comprehensive Income

for the years ended March 31

(in CHF 1 000)	Notes	2020	2019
<b>Continuing operations</b>			
Revenue from sale of goods		148 497	155 046
Cost of goods sold		(68 859)	(72 245)
<b>Gross profit</b>		<b>79 638</b>	<b>82 801</b>
Research & development expense		(8 702)	(8 215)
Selling, general and administrative expense		(60 077)	(59 861)
Other operating income (expense), net	7	(53)	499
<b>Operating profit (EBIT)</b>		<b>10 806</b>	<b>15 224</b>
Financial income	8	39	63
Financial expense	8	(785)	(209)
<b>Profit before income tax</b>		<b>10 060</b>	<b>15 078</b>
Income tax expense	20	(3 985)	(4 367)
<b>Net profit for the year</b>		<b>6 075</b>	<b>10 711</b>
<b>Other comprehensive income</b>			
Actuarial gains (losses) on employee benefit obligations	18	(354)	(1 337)
Tax impact on actuarial gains (losses) on employee benefit obligations		35	252
<b>Total items that will not be reclassified to profit or loss</b>		<b>( 319)</b>	<b>(1 085)</b>
Exchange difference on translation of foreign operations		(4 375)	(2 865)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(4 375)</b>	<b>(2 865)</b>
<b>Total other comprehensive income for the year, net of tax</b>		<b>(4 694)</b>	<b>(3 950)</b>
<b>Total comprehensive income for the year</b>		<b>1 381</b>	<b>6 761</b>
Net profit attributable to owners of Carlo Gavazzi Holding AG		6 075	10 711
Comprehensive income attributable to owners of Carlo Gavazzi Holding AG		1 381	6 761
<b>Earnings per share from net profit of continuing operations for the year 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	9	1.71	3.01
- bearer shares	9	8.55	15.07

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

## Balance Sheets

(in CHF 1 000)	Notes	as of	
		March 31 2020	March 31 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		47 462	47 784
Trade receivables	11	26 655	29 022
Other receivables	12	4 792	6 081
Inventories	13	23 909	29 665
<b>Total current assets</b>		<b>102 818</b>	<b>112 552</b>
<b>Non-current assets</b>			
Property, plant and equipment	14	9 527	10 699
Right-of-use assets	2.2	6 289	-
Intangible assets	15	7 346	6 539
Other receivables	12	1 643	1 810
Deferred income tax assets	20	3 982	4 238
<b>Total non-current assets</b>		<b>28 787</b>	<b>23 286</b>
<b>Total assets</b>		<b>131 605</b>	<b>135 838</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade payables		9 069	12 115
Other payables	16	14 059	15 229
Borrowings	17	1 447	-
Lease liabilities	2.2, 17	2 351	-
Current income tax liabilities		1 527	1 714
<b>Total current liabilities</b>		<b>28 453</b>	<b>29 058</b>
<b>Non-current liabilities</b>			
Other payables	16	1 363	1 471
Lease liabilities	2.2, 17	3 997	-
Employee benefit obligations	18	7 007	7 334
Other provisions	19	437	479
<b>Total non-current liabilities</b>		<b>12 804</b>	<b>9 284</b>
<b>Total liabilities</b>		<b>41 257</b>	<b>38 342</b>
<b>Equity</b>			
Share capital	21	10 661	10 661
Capital reserves		600	600
Other reserves		(28 231)	(23 537)
Retained earnings		107 318	109 772
<b>Total equity attributable to owners of Carlo Gavazzi Holding AG</b>		<b>90 348</b>	<b>97 496</b>
<b>Total liabilities and equity</b>		<b>131 605</b>	<b>135 838</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				
		Share capital	Capital reserves	Other reserves	Retained earnings	Total equity
<b>Equity at March 31, 2018</b>		<b>10 661</b>	<b>600</b>	<b>(19 587)</b>	<b>107 590</b>	<b>99 264</b>
<b>Net profit for the year</b>		-	-	-	<b>10 711</b>	<b>10 711</b>
Actuarial gains (losses) on employee benefit obligations, net of tax		-	-	(1 085)	-	(1 085)
Exchange difference on translation of foreign operations		-	-	(2 865)	-	(2 865)
<b>Other comprehensive income for the year</b>		-	-	<b>(3 950)</b>	-	<b>(3 950)</b>
<b>Total comprehensive income for the year</b>		-	-	<b>(3 950)</b>	<b>10 711</b>	<b>6 761</b>
Dividends	10	-	-	-	(8 529)	(8 529)
<b>Total transactions with owners</b>		-	-	-	<b>(8 529)</b>	<b>(8 529)</b>
<b>Equity at March 31, 2019</b>		<b>10 661</b>	<b>600</b>	<b>(23 537)</b>	<b>109 772</b>	<b>97 496</b>
<b>Net profit for the year</b>		-	-	-	<b>6 075</b>	<b>6 075</b>
Actuarial gains (losses) on employee benefit obligations, net of tax		-	-	(319)	-	(319)
Exchange difference on translation of foreign operations		-	-	(4 375)	-	(4 375)
<b>Other comprehensive income for the year</b>		-	-	<b>(4 694)</b>	-	<b>(4 694)</b>
<b>Total comprehensive income for the year</b>		-	-	<b>(4 694)</b>	<b>6 075</b>	<b>1 381</b>
Dividends	10	-	-	-	(8 529)	(8 529)
<b>Total transactions with owners</b>		-	-	-	<b>(8 529)</b>	<b>(8 529)</b>
<b>Equity at March 31, 2020</b>		<b>10 661</b>	<b>600</b>	<b>(28 231)</b>	<b>107 318</b>	<b>90 348</b>

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



## Statements of Cash Flows

for the years ended March 31

(in CHF 1000)	Notes	2020	2019
<b>Cash flow from operating activities</b>			
<b>Profit for the year</b>		<b>6 075</b>	<b>10 711</b>
Income taxes	20	3 985	4 367
Depreciation and amortization		6 118	3 474
Loss (gain) on disposal of property, plant and equipment	7	(99)	(53)
Changes in other non-cash items		(193)	(607)
Changes in working capital:			
- Change in trade receivables and other receivables		1 569	1 101
- Change in inventories		4 206	(5 497)
- Change in trade payables and other payables		(2 424)	35
Interest received		13	35
Interest paid	2.2	(204)	(23)
Income taxes paid		(4 154)	(3 466)
<b>Cash flow from operating activities</b>		<b>14 892</b>	<b>10 077</b>
<b>Cash flow from investing activities</b>			
Purchases of property, plant and equipment	14	(2 877)	(3 569)
Purchases of intangible assets	15	(1 072)	(54)
Proceeds from disposal of property, plant and equipment		167	146
<b>Cash flow from investing activities</b>		<b>(3 782)</b>	<b>(3 477)</b>
<b>Cash flow from financing activities</b>			
Dividends paid	10	(8 529)	(8 529)
Principal elements of lease payments	2.2, 17	(2 609)	-
Proceeds from borrowings		1 480	-
Repayment of borrowings		-	-
<b>Cash flow from financing activities</b>		<b>(9 658)</b>	<b>(8 529)</b>
<b>Change in cash and cash equivalents</b>		<b>1 452</b>	<b>(1 929)</b>
Cash and cash equivalents at the beginning of the year		47 784	50 744
Effects of exchange rate changes on cash and cash equivalents		(1 774)	(1 031)
<b>Cash and cash equivalents at the end of the year</b>		<b>47 462</b>	<b>47 784</b>

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

## Notes to the Consolidated 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. The address of its registered office is 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 audited consolidated financial statements were approved for publication by the Board of Directors on June 23, 2020, and will be recommended for approval at the Annual General Meeting to be held on July 28, 2020.

### 2. Significant accounting and valuation policies

The significant accounting and valuation policies employed in the preparation of these consolidated financial statements are described below. These policies have been applied consistently in all of the reporting periods presented, unless otherwise stated.

#### 2.1 Basis of preparation

The consolidated financial statements of the Carlo Gavazzi Group have been prepared in accordance with IFRS (International Financial Reporting Standards). All standards issued by the IASB (International Accounting Standards Board) being in force on the balance sheet date as well as all valid

interpretations of IFRIC (International Financial Reporting Standards Interpretation Committee) have been taken into account.

The Group’s consolidated 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.

#### 2.2 Changes in accounting policies

##### 2.2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing April 1, 2019:

##### IFRS 16 Leases

Plan Amendment, Curtailment or Settlement – Amendments to IAS 19

IFRIC 23 Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively from April 1, 2019, but has not restated comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard. This is disclosed in note 2.2.3. The other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

Previously applied accounting policies are not disclosed in these consolidated financial

statements. Please refer to the consolidated financial statements 2018/19 for more information on accounting policies applied in the previous year.

### 2.2.2 New and amended IFRS not yet applied

Certain new accounting standards and interpretations have been published that are not mandatory for March 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 2.2.3 Adjustments recognized on adoption of IFRS 16

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

As indicated in note 2.2.1 above, the Group has adopted IFRS 16 Leases retrospectively from April 1, 2019, but has not restated comparatives for the 2018/19 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on April 1, 2019. The new accounting policies are disclosed below.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of April 1, 2019. Contract specific discount rates were used for each lease. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on April 1, 2019 was 2.4%. All operating leases were accounted for including those with a remaining lease term of less than 12 months and low-value leases. There were no leases previously classified as finance leases and no leases where the Group was a lessor.

In applying IFRS 16 for the first time, the Group has used the practical expedient to rely on an onerous lease contract assessment which was conducted immediately before adoption of the new standard. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the balance sheet on April 1, 2019:

Right-of-use assets – increase of CHF 7 081  
Lease liabilities – increase of CHF 7 081

(in CHF 1 000)	April 1, 2019
Operating lease commitments disclosed at March 31, 2019	7 366
Discount using the lessee's incremental borrowing rate at the date of initial application	(376)
Adjustments as a result of a different treatment of extension and termination options	91
<b>Lease liability recognized at April 1, 2019</b>	<b>7 081</b>

### Amounts recognized in the Balance Sheet

The Balance Sheet shows the following amounts relating to leases:

Right-of-use assets (in CHF 1 000)	2020	April 1, 2019
Buildings	5 220	5 792
Machinery and equipment	93	122
Motor vehicles	829	927
IT equipment	147	240
<b>Total</b>	<b>6 289</b>	<b>7 081</b>
<b>Lease liabilities</b>		
Current	2 351	2 467
Non-current	3 997	4 614
<b>Total</b>	<b>6 348</b>	<b>7 081</b>

Additions to right-of-use assets during the 2019/20 financial year amounted to CHF 2 115.

### Amounts recognized in the Statement of Comprehensive Income

The Statement of Comprehensive Income shows the following amounts relating to leases:

Depreciation charge of right-of-use assets (in CHF 1 000)	2019/20	2018/19
<b>Buildings</b>	2 036	-
<b>Machinery and equipment</b>	65	-
<b>Motor vehicles</b>	462	-
<b>IT equipment</b>	84	-
<b>Total</b>	<b>2 647</b>	-
<b>Interest expense (included in financial expense)</b>	<b>173</b>	-

The total cash outflow for leases in the period ended 2019/20 was CHF 2 609.

### The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, equipment and cars. Rental contracts are typically made for fixed periods of maximum 10 years but may have extension options as described below. The Group's lease contracts generally do not contain non-lease components.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018/19 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under such non-cancellable operating lease agreements were charged to profit or loss on a straight-line basis over the period of the lease.

Non-cancellable operating lease commitments for the Group not recognized in the balance sheet were as follows for 2018/19:

Lease commitments (in CHF 1 000)	2020	2019
Less than 1 year	-	2 682
Between 1-5 years	-	4 264
More than 5 years	-	420
<b>Total</b>	<b>-</b>	<b>7 366</b>

Rental expense under operating leases amounted to CHF 2 567 in 2018/19, whereas rental income under subleases amounted to CHF 38 in 2018/19.

From April 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments
- variable lease payment that are based on a rate
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee (which has no recent third-party financing) would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

#### Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

### 2.3 Principles of consolidation

#### Group companies

Group companies are all entities (including structured entities) over which the Group has control. Carlo Gavazzi Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. New group companies are fully

consolidated from the time at which control of the company is transferred to Carlo Gavazzi Group. They are deconsolidated at the point in time at which control ceases.

Assets and liabilities as well as the income and expenses of these companies are fully (100%) consolidated. All material internal group transactions, balances and unrealized profits and losses resulting from internal group transactions are eliminated.

#### Non-controlling interests

The share of net assets and net profit attributable to non-controlling interests is indicated separately in the consolidated balance sheets, the consolidated statement of comprehensive income, and the consolidated statement of changes in equity. For the years presented, there were no non-controlling interests.

### 2.4 Foreign currency translation

#### Functional and presentation currency

The consolidated financial statements are presented in Swiss Francs (CHF) as the presentation currency. The group companies compile their financial statements in their functional currency, which is the currency of the primary economic environment in which they operate.

#### Foreign currency translation

All assets and liabilities in the balance sheets of the group companies that are denominated in respective functional currencies are translated into Swiss Francs at the closing rate. Items in the comprehensive income statements and cash flow statements are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transactions). The resulting translation differences are recognized in other

comprehensive income. When a group company is sold, the cumulative translation differences recognized in shareholders' equity are recycled to the income statement.

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

#### Year-end rates – balance sheets

Currency	Unit	31.03.2020	31.03.2019
BRL	100	18.52	25.36
CAD	1	0.68	0.75
CNY	100	13.62	14.82
DKK	100	14.22	14.97
EUR	1	1.06	1.12
GBP	1	1.20	1.30
HKD	100	12.44	12.67
MYR	100	22.37	24.36
NOK	100	9.22	11.56
SEK	100	9.69	10.72
SGD	1	0.68	0.73
USD	1	0.96	0.99

#### Average rates – comprehensive income statement

Currency	Unit	01.04.2019 – 31.03.2020	01.04.2018 – 31.03.2019
BRL	100	24.10	26.25
CAD	1	0.74	0.75
CNY	100	14.17	14.77
DKK	100	14.68	15.38
EUR	1	1.10	1.15
GBP	1	1.25	1.30
HKD	100	12.62	12.63
MYR	100	23.71	24.30
NOK	100	10.96	11.91
SEK	100	10.31	11.06
SGD	1	0.72	0.73
USD	1	0.99	0.99

#### Foreign currency transactions and balances in the individual financial statements

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

All exchange differences are recognized in the income statement, except for intercompany transactions having the nature of a permanent financial investment which are directly recorded in equity.

#### 2.5 Cash and cash equivalents

The Group considers all highly liquid investments with original maturity of three months or less to be cash.

Cash and cash equivalents are reported at their nominal value.

#### 2.6 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment losses recognized for expected lifetime credit losses. The Group applies the simplified approach for the measurement of the expected lifetime credit losses which is based on known uncollectible accounts, aged receivables, historical losses and forward-looking parameters specific to the debtors and the economic environment.

Concentrations of credit risk with respect to trade receivables are limited due to the large number of geographically diverse customers which make up the Group's customer base, thus spreading credit risk. Some European countries require longer payment terms as a part of doing business and this may subject the Group to a higher risk of non-collectability. This risk is evaluated when determining the bad debt allowance. The Group

generally does not require collateral from its customers.

Changes to the bad debt allowance as well as effective losses due to bad debts are shown in selling, general and administrative expense.

## 2.7 Other receivables

This item includes all other receivables that do not arise from deliveries of products (e.g. VAT credits, withholding tax credits, receivables from social insurances, etc.). Included are also advances to suppliers as well as prepaid expenses (e.g. for rent, consulting, insurance premiums, etc.).

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

## 2.8 Financial assets

The Group classifies its financial assets in the following categories: at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The classification depends on the Group's business model for managing the financial assets and on their contractual cash flow characteristics. Financial assets are generally classified as current assets unless they are not expected to be realized within 12 months after the end of the reporting period.

### 2.8.1 Classification of financial assets

#### a) Financial assets at amortized cost

These assets are debt instruments held to collect contractual cash flows that are solely payments of the principal amount and interest and are measured at amortized cost using the effective interest rate method less impairment losses recognized for expected credit losses (refer to note 2.8.3). Interest, foreign currency revaluations and impairment losses are recognized in the income statement.

Financial assets at amortized costs comprise cash and cash equivalents, trade receivables and other receivables in the balance sheet (notes 2.5, 2.6 and 2.7).

#### b) Financial assets at FVOCI

These assets are debt instruments held both for selling and collecting contractual cash flows that are solely payments of the principal amount and interest and equity instruments not held for trading. Financial assets at FVOCI are measured at fair value. Interest, foreign currency revaluations and impairment losses (refer to note 2.8.3) are recognized in the income statement. Any other changes in fair value are recognized in other comprehensive income.

#### c) Financial assets at FVPL

These assets are equity instruments held for trading or financial assets designated by the Group as financial assets at FVPL. Derivatives are also categorized in this category unless they are designated as hedges. Gains or losses arising from changes in the fair value are presented in the income statement within other operating income (expense), net in the period in which they arise. Dividend income from financial assets at FVPL is recognized in the income statement as part of other operating income (expense), net when the Group's right to receive payment is established.

### 2.8.2 Recognition and measurement of financial assets

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL. Financial assets at FVPL are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

### Impairment of financial assets at amortized costs

An allowance for expected credit losses (ECL) is recognized for all financial assets at amortized cost. For debt instruments at FVOCI fair value, changes in connection with the expected credit losses are recognized in the income statement. ECL are based on the difference between the contractual cash flows and the cash flow that the Group expects to receive. The Group applies the simplified approach for measuring the ECL allowance for trade receivables (note 2.6) and the general approach for all other financial assets at amortized cost and debt instruments at FVOCI.

The general approach for measuring the ECL allowance is based on the amount of credit losses resulting from default events expected to occur during twelve months after the reporting date, unless the credit risk has increased significantly since initial recognition. If there has been a significant increase in credit risk since initial recognition, the ECL are based on lifetime expected credit losses.

To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- Significant financial difficulty of the issuer or obligor (internal and external credit rating as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause significant change to the borrower's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the borrower;
- A breach of contract, such as a default or delinquency in interest or principal payments;

- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

## 2.9 Inventories

Inventories are stated at the lower of cost or net realizable value. The first-in, first-out (FIFO) method is applied to finished goods inventory and the weighted-average method is applied to production inventory. The cost of finished goods and work in progress comprise raw materials, direct labour costs and other costs that can be directly allocated, such as production overhead expenditures. Provision for write-downs is established when there is a reasonable indication that the Group will not be able to recover the cost of the specific inventory items.

## 2.10 Property, plant and equipment

Property, plant and equipment include land, property used for operational purposes, facilities, machinery, IT equipment and motor vehicles, as well as plant and equipment under construction.

Property, plant and equipment are reported at their purchase price or construction costs less scheduled



accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes the estimated costs of dismantling and removing the asset and restoring the site on which it is located (decommissioning costs) and the corresponding liability is recognized in accordance with IAS 37.

Depreciation is calculated using the straight-line method over the estimated useful lives, as follows:

Land	No depreciation
Buildings	50 years
Leasehold improvements (maximum)	10 years
Machinery and equipment	6 years
Furniture and fixtures	6 years
Motor vehicles	4 years
IT equipment	3 years

Maintenance, repairs and minor renewals are charged to expense as incurred. Major renewals and betterments are capitalized and depreciated over their estimated useful lives.

When assets are retired or otherwise disposed of, the cost is removed from the asset account and the corresponding accumulated depreciation is removed from the related reserve account. Any gain or loss resulting from such retirement or disposal is included in the income statement.

## 2.11 Intangible assets

### Goodwill

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises:

- (i) the fair values of the assets transferred,
- (ii) the liabilities incurred to the former owners of the acquired business,
- (iii) the equity interests issued by the Group,

- (iv) the fair value of any asset or liability resulting from a contingent consideration arrangement, and
- (v) the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of:

- (i) the consideration transferred,
- (ii) the amount of any non-controlling interest in the acquired entity, and
- (iii) the acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Goodwill on acquisitions of subsidiaries is included in intangible assets as disclosed in note 15. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments. Additional information is disclosed in note 5.

### Research and development

Expenditure incurred on research and development is distinguished between the research phase and the development phase. All research phase expenditure is charged to the income statement as incurred. For development expenditure, it is capitalized as an internally generated intangible asset only if it meets strict criteria relating to technical feasibility, intention to complete, ability to use or sell, generation of future economic benefits, availability of adequate technical, financial and other resources to complete its development and reliable measurement of the costs incurred. Expenditure capitalized is amortized over the planned economic life or in relation to the expected revenue over the economic useful life, up to a maximum of five years from the entry-into-service of the product or asset, using the straight-line method. Intangible assets that do not have a finite economic life and therefore cannot be depreciated on a straight-line basis are subject to an annual test for impairment.

### Software

Amounts paid out for acquired software such as start-up, pre-opening, pre-operating, training costs and all the pre-going-live costs are recognized as expense when incurred and include project initiation, solution mapping, preparation, process workshops, initial system set-up, technical training, creation of solution concepts, creation of prototypes, implementation and maintenance costs relating to the software and cloud providers.

Acquired computer software licences for own use, which are not an integral part of hardware, are capitalized on the basis of the costs incurred to acquire and bring the related software to use. These software licences are amortized using the straight-line method over their useful economic lives, currently three years, from the point at which the asset is ready for use.

### 2.12 Assets held for sale

The Group's assets are reclassified as held for sale when a sale within one year is highly probable and the assets are available for immediate sale in their present condition.

Non-current assets held for sale are re-evaluated at the lower of fair value less cost to sell or the carrying amounts at the date they meet the held for sale criteria. Any resulting impairment loss is recognized in the income statement.

The liabilities of an asset classified as held for sale or of a group of assets held for sale are disclosed separately from other liabilities in the balance sheet. Such assets and liabilities may not be offset and disclosed as a single amount.

### 2.13 Impairment of non-financial assets

Non-financial assets are assessed on each balance sheet date for any indication of impairment. If any such indication exists, a test is carried out to estimate if the carrying amount could exceed the higher of the asset's fair value less costs to sell and its value in use. If this is the case, the appropriate impairment loss is recognized.

The same method is applied to reversals of impairment losses as for identifying impairment, i.e. a review must be carried out on each reporting date to assess whether there are indications that an impairment loss might no longer exist or might have decreased. If this is the case, the amount of the decrease in impairment loss must be determined (difference between recoverable amount and net carrying amount).

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units

to which the goodwill relates. Impairment losses relating to goodwill cannot be reversed in future years.

#### 2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

#### 2.15 Other payables

Other payables include non-interest-bearing liabilities, in particular VAT liabilities, liabilities for social security payments, current and non-current employee benefits (e.g. accrued paid annual leave and overtime, bonuses, etc.) as well as accrued expenses, short-term provisions and prepaid income.

Other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

#### 2.16 Borrowings

Borrowings are divided into current and non-current depending on the time to maturity and include in particular bank overdrafts, loans and finance leases.

Borrowings are recognized initially at fair value, net of transaction costs incurred. In subsequent periods, loans are stated at amortized cost using the effective interest rate method with any difference

between proceeds (net of transaction costs) and the redemption value being recognized in the income statement over the terms of the borrowing.

#### 2.17 Leasing

The following description was the accounting policy until March 31, 2019 before adoption of IFRS 16.

Assets acquired under finance leases were capitalized as part of the fixed assets. Leased assets were depreciated over the shorter of the estimated useful life of the asset and the lease term.

The associated obligations were included dependent on their maturity in current or non-current financial liabilities, respectively.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease.

#### 2.18 Employee benefits

##### Pension obligations

The Group has a range of pension plans designed to take account of local conditions and practices in individual countries in which the Group operates. The Swiss subsidiaries provide a defined benefit plan for their employees; subsidiaries in other jurisdictions provide both defined contribution plans and defined benefit plans for their employees. The plans are generally funded through payments to insurance companies or trustee-administered funds. Costs related to post-employment benefits are recognized as personnel expenses allocated to the functions to which the respective employees contribute.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (insurance company or fund). The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee services in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans typically specify an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and salary.

For defined benefit plans, the amount recognized in the balance sheet corresponds to the present value of the defined benefit obligation at the balance sheet date reduced by the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Any underfunding will be recognized as a liability. Overfunding, however, will only be capitalized to the extent that it represents economic benefits for the Group.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in the income statement.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

#### Termination indemnity

Italian law requires the Italian group companies to grant termination indemnity benefits (TFR) to all employees. Up to a pension reform which introduced new regulations for employee termination benefits beginning from January 1, 2007, termination indemnity benefits were classified and accounted for as defined benefit plans. Beginning January 1, 2007, the plans are considered to be defined contribution plans. The termination benefit provision accrued up to December 31, 2006 continues to be accounted for as a defined benefit plan and is recorded at the actuarial present value of the benefits for which the employees are currently entitled based on the employee's expected separation or retirement date. The benefit obligation is not covered by separately identified assets (unfunded plan).

#### 2.19 Provisions and contingent liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A provision is measured on the best estimate concept, i.e. the amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation on the balance sheet date. The amount of a provision is reviewed for appropriateness at every balance sheet date. Long-term provisions are discounted.

Contingent liabilities arise from past events where the outcome depends on future events. As the probability either cannot be measured reliably or the probability for a subsequent outflow lies below 50%, contingent liabilities are not recognized in the balance sheet but are described in the notes.

## 2.20 Equity

Equity includes share capital, capital reserves, other reserves and retained earnings.

Share capital is the par value of all outstanding shares.

Capital reserves contain gains and losses realized on the sale of own shares held in previous years.

Retained earnings are profits, including legal and free reserves, that are not distributed as dividends and which are generally freely available, except legal reserves.

Other reserves include currency translation differences, actuarial gains and losses on post-employment benefit obligations as well as their related income tax effect on other comprehensive income.

## 2.21 Revenue from contracts with customers

The Group designs and manufactures electronic control components for the global industrial automation markets. Revenue from contracts with customers comprises all revenues that are derived from sales of products to third parties after deduction of sales taxes and discounts. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the use of the product in their production and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present, as there are no contracts where the period between revenue recognition and payment by the customer exceeds one year. The Group's obligation to repair or replace faulty products under standard warranty terms is recognized as a provision (note 19).

A trade receivable (note 11) is recognized when the products are delivered, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. There are currently no material contract assets and liabilities in connection with revenue from contracts with customers.

For internal and external reporting purposes the Group disaggregates revenue from contracts with customers into geographical regions which is outlined in the segment information (note 5).

## 2.22 Borrowing costs

Borrowing costs comprise interest and other costs that are incurred in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

## 2.23 Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management

periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability

simultaneously. For leases under IFRS 16, the net method is used.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

## 2.24 Business combinations

All business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred and the equity interests issued, including the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. The identifiable assets acquired or liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill and allocated to the cash-generating units or group of cash-generating units depending on the level at which it is monitored by management. If the consideration transferred is lower than the fair value of the acquirer's share of the identifiable net assets acquired (bargain purchase), the difference is recognized directly in the income statement.

### 3. Financial risk management

The Group classifies its financial assets and liabilities into the following categories as per IFRS 7:

Financial assets (in CHF 1 000)	2020	2019
<b>Loans and receivables</b>		
Cash and cash equivalents	47 462	47 784
Trade receivables	26 655	29 022
Other receivables	3 481	5 093
<b>Total</b>	<b>77 598</b>	<b>81 899</b>

Financial liabilities (in CHF 1 000)	2020	2019
<b>Other financial liabilities</b>		
Trade payables	9 069	12 115
Other payables	15 422	16 700
Borrowings	1 447	-
Leases	6 689	-
<b>Total</b>	<b>32 627</b>	<b>28 815</b>

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

Generally, financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance, however, the Group does not use derivative financial instruments to hedge risk exposures.

Risk management and its effectiveness is regularly monitored by the Board of Directors.

##### a) Market risk

###### Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to EUR

(incl. pegged currencies) against USD. The Group does not actively hedge foreign exchange risks, however, where possible it seeks to reduce these risks by natural hedging (cash inflows and outflows in a specific currency should be in balance as much as possible).

Foreign exchange risks arise when commercial transactions of operations are not denominated in the functional currency of the respective legal entity, but instead in another currency. Foreign exchange risks also arise from translation differences when preparing the consolidated financial statements in Swiss Francs, however, they are excluded for the purpose of the sensitivity analysis for currency risk. As stated above there are currency exposures with respect to EUR against USD in the amount of CHF 3 727 (2019: CHF 2 935). A change in foreign currency exchange rates of EUR against USD of 10%, with all other variables held constant, would have caused the result of the Group to be higher/lower by around CHF 373 (2019: CHF 294) with a consequent effect on the equity.

##### Price risk

The Group is not exposed to either equity securities price risk or commodity price risk.

##### Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank overdrafts and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. As a result of the Group's positive net cash position and having no borrowings, the interest rate risk is considered to be immaterial. Consequently, a sensitivity analysis has not been provided.

##### b) Credit risk

Credit risk is managed on a local basis for accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Local

management may also define credit limits for each customer. As there is no independent rating for most customers, local credit control departments assess the credit quality of the customers, taking into account their financial position, past experience and other factors. There is no concentration of credit risk in respect of trade receivables as the Group has a large number of geographically diverse customers.

Other credit risk arises from cash and cash equivalents and deposits with banks. Counterparty risk is minimized by ensuring that current account deposits are maintained with financial institutions whose credit ratings by one of the major independent rating agencies are usually at least "A-" or else the highest available in the country where the relevant group company is domiciled.

### c) Liquidity risk

Liquidity risk is the risk that the Group would not be able to meet its financial obligations on time. The monitoring of liquidity and allocation of resources by the Group allows for maintenance of adequate liquidity levels at all times. In addition, the Group maintains credit lines with a number of financial institutions.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date; the amounts disclosed are the contractual undiscounted cash flows.

The remaining contractual maturities are as follows:

as at March 31, 2020 (in CHF 1 000)	up to 1 year	between 2-3 years	between 4-5 years	more than 5 years	Total
Trade payables	9 069	-	-	-	9 069
Other payables	14 059	1 274	89	-	15 422
Borrowings	1 447	-	-	-	1 447
Leases	2 551	2 993	918	227	6 689
<b>Total</b>	<b>27 126</b>	<b>4 267</b>	<b>1 007</b>	<b>227</b>	<b>32 627</b>

as at March 31, 2019 (in CHF 1 000)	up to 1 year	between 2-3 years	between 4-5 years	more than 5 years	Total
Trade payables	12 115	-	-	-	12 115
Other payables	15 229	1 420	51	-	16 700
Borrowings	-	-	-	-	-
Leases	-	-	-	-	-
<b>Total</b>	<b>27 344</b>	<b>1 420</b>	<b>51</b>	<b>-</b>	<b>28 815</b>



### 3.2 Capital risk management

The Group's primary objective is to maintain a strong equity base in order to maintain investor, creditor and market confidence and to sustain the future development of the business. As of March 31, 2020, equity represented 68.7% of total assets (2019: 71.8%).

The Group reviews the capital structure and the equity of the subsidiaries as required to cover the associated risks.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares and issue or reduce debt.

## 4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial periods mainly relate to income taxes, employee benefit obligations, allowance for doubtful accounts and warranties.

### Income taxes

The Group is subject to taxation in numerous jurisdictions. In this respect the Group and its subsidiary companies are regularly exposed to audits by the various governmental bodies and authorities, where the outcome of findings

particularly in the area of transfer pricing depends very often on individual judgements. Considerable judgement is required in determining tax provisions. Liabilities for anticipated tax audit issues are recognized based on estimates of whether additional taxes will be due. These estimates could prove to be too pessimistic or, in a negative scenario, additional tax liabilities would have to be recorded in the future. Additional information is disclosed in note 20.

Furthermore, the capitalization of deferred tax assets is based on assumptions about the future profitability of certain group companies. There is an inherent risk that these estimates made by management may turn out to be too optimistic or too pessimistic.

### Employee benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The group companies determine the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group companies consider the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligations.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 18.

## 5. 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, focusing 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.

The reconciliation of operating profit (EBIT) to profit before income tax is as follows:

(in CHF 1 000)	2019/20	2018/19
<b>Operating profit (EBIT)</b>		
– Automation Components	13 452	15 947
– Reconciling items	(2 646)	(723)
<b>Total operating profit (EBIT)</b>	<b>10 806</b>	<b>15 224</b>
Financial income (expense), net	(746)	(146)
<b>Profit before income tax</b>	<b>10 060</b>	<b>15 078</b>

Segment assets and liabilities are reconciled to total assets and liabilities as follows:

(in CHF 1 000)	2020	2019
<b>Assets</b>		
– Automation Components	110 177	114 524
– Reconciling items	21 428	21 314
<b>Total assets</b>	<b>131 605</b>	<b>135 838</b>
<b>Liabilities</b>		
– Automation Components	38 150	35 955
– Reconciling items	3 107	2 387
<b>Total liabilities</b>	<b>41 257</b>	<b>38 342</b>

### Geographical information

Revenue from sale of goods by customer location		
(in CHF 1 000)	2019/20	2018/19
Switzerland	2 397	2 449
Italy	15 189	17 703
Germany	14 872	16 237
Other EMEA	66 269	64 666
<b>Total EMEA</b>	<b>98 727</b>	<b>101 055</b>
USA	20 117	22 420
Other North America	9 656	9 365
<b>Total North America</b>	<b>29 773</b>	<b>31 785</b>
Asia	19 997	22 206
<b>Total Group</b>	<b>148 497</b>	<b>155 046</b>

Property, plant and equipment and intangible assets by location of assets		
(in CHF 1 000)	2020	2019
Switzerland	1 307	94
Italy	6 168	4 838
Germany	714	39
Other EMEA	10 404	9 019
<b>Total EMEA</b>	<b>18 593</b>	<b>13 990</b>
USA	277	94
Other North America	261	66
<b>Total North America</b>	<b>538</b>	<b>160</b>
Asia	4 031	3 088
<b>Total Group</b>	<b>23 162</b>	<b>17 238</b>

## Revenues from external customers

The Group's revenues are split into product groups determined as Controls 37 % (2018/19: 35 %), Sensors 28 % (2018/19: 27 %), Switches 34 % (2018/19: 36 %) and Other 1 % (2018/19: 2 %). However, these product groups do not represent operating segments, because they are not used for decision-making purposes.

As stated above, the Group has a large number of customers and, during the periods, no single customer accounted for more than 10 % of the Group's revenue from the sale of goods.

## 6. Employee benefit expense

(in CHF 1 000)	2019/20	2018/19
Wages and salaries	43 075	44 320
Post-employment benefit cost	818	1 201
Other social security cost	7 124	8 003
Other expenses	1 096	986
Termination benefit	58	-
<b>Total</b>	<b>52 171</b>	<b>54 510</b>

Employee benefit expense is included in the income statement under cost of goods sold, research & development expense and selling, general and administrative expense.

## 7. Other operating income and expense

(in CHF 1 000)	2019/20	2018/19
<b>Other operating income</b>		
Gain on sale of property, plant and equipment	99	79
Reversal of warranty provisions	-	729
Other	142	136
<b>Total other operating income</b>	<b>241</b>	<b>944</b>
<b>Other operating expense</b>		
Loss on sale of property, plant and equipment	(1)	(27)
Personnel indemnity cost	(180)	(327)
Other	(113)	(91)
<b>Total other operating expense</b>	<b>(294)</b>	<b>(445)</b>
<b>Total other operating income (expense), net</b>	<b>(53)</b>	<b>499</b>

## 8. Financial income and expense

(in CHF 1 000)	2019/20	2018/19
<b>Financial income</b>		
Interest income from financial assets	39	63
Net foreign exchange gain	-	-
<b>Total financial income</b>	<b>39</b>	<b>63</b>
<b>Financial expense</b>		
Interest expense and finance charges	(56)	(50)
Interest expense for lease liabilities	(173)	-
Net foreign exchange loss	(556)	(159)
<b>Total financial expense</b>	<b>(785)</b>	<b>(209)</b>
<b>Total financial income (expense), net</b>	<b>(746)</b>	<b>(146)</b>

## 9. Earnings per share

Earnings per registered share are computed based on the weighted average number of registered shares of CHF 3.00 each outstanding during the years.

Earnings per bearer share are computed based on the weighted average number of bearer shares of CHF 15.00 each outstanding during the years.

Basic and diluted earnings per share are as follows:

(in CHF 1 000)	2019/20	2018/19
<b>Net profit attributable to owners of Carlo Gavazzi Holding AG</b>	<b>6 075</b>	<b>10 711</b>
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 %
<b>Registered shares</b>		
Net profit attributable to registered shareholders	2 736	4 823
Average number of shares outstanding	1 600 000	1 600 000
<b>Basic and diluted earnings per registered share (CHF)</b>	<b>1.71</b>	<b>3.01</b>
<b>Bearer shares</b>		
Net profit attributable to bearer shareholders	3 339	5 888
Average number of shares outstanding	390 710	390 710
<b>Basic and diluted earnings per bearer share (CHF)</b>	<b>8.55</b>	<b>15.07</b>

## 10. Dividends paid and proposed

Carlo Gavazzi Holding AG pays one dividend per financial year. The Annual General Meeting held on July 30, 2019, resolved to distribute a dividend for the financial year 2018/19, with value August 6, 2019, as follows (in CHF):

Ordinary dividend per registered share	CHF	2.40
Ordinary dividend per bearer share	CHF	12.00
<b>Total ordinary dividend paid</b>	<b>CHF 1 000</b>	<b>8 529</b>

At the Annual General Meeting to be held on July 28, 2020, no dividend payment for 2019/20 will be proposed.

## 11. Trade receivables

(in CHF 1 000)	2020	2019
Trade receivables	27 451	29 710
Less provision for impairment of receivables	(796)	(688)
<b>Total</b>	<b>26 655</b>	<b>29 022</b>

Movements in the provision for impairment of receivables

(in CHF 1 000)	2020	2019
<b>Balance at April 1</b>	<b>(688)</b>	<b>(731)</b>
Utilization of provision	200	116
Reversal of unused provision	65	1
Increase in provision	(412)	(95)
Foreign exchange effect	39	21
<b>Balance at March 31</b>	<b>(796)</b>	<b>(688)</b>

Ageing analysis of trade receivables (in CHF 1 000)

as at March 31, 2020	Total	Not impaired
Not overdue	22 417	22 417
Less than 1 month overdue	2 642	2 641
Between 1-3 months overdue	1 340	1 318
Between 3-6 months overdue	521	424
Between 6-12 months overdue	179	169
More than 12 months overdue	352	15
<b>Total</b>	<b>27 451</b>	<b>26 984</b>

as at March 31, 2019	Total	Not impaired
Not overdue	23 948	23 948
Less than 1 month overdue	3 181	3 173
Between 1-3 months overdue	1 464	1 415
Between 3-6 months overdue	311	298
Between 6-12 months overdue	144	116
More than 12 months overdue	662	231
<b>Total</b>	<b>29 710</b>	<b>29 181</b>

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

(in CHF 1 000)	2020	2019
EUR	12 910	14 360
USD	4 267	4 746
CNY	2 854	3 279
SEK	2 200	1 504
DKK	1 245	1 523
NOK	646	806
CAD	818	906
GBP	788	908
Other	927	990
<b>Total</b>	<b>26 655</b>	<b>29 022</b>

## 12. Other receivables

(in CHF 1 000)	2020	2019
<b>Current</b>		
VAT and other tax receivables	3 141	4 227
Advances to suppliers	232	152
Receivables from suppliers	374	585
Other receivables	94	129
Prepaid expense	951	988
<b>Total current</b>	<b>4 792</b>	<b>6 081</b>
<b>Non-current</b>		
Deposits for deferred employee compensation	1 264	1 364
Deposits for rental contracts	357	378
Other receivables	22	68
<b>Total non-current</b>	<b>1 643</b>	<b>1 810</b>
<b>Total other receivables</b>	<b>6 435</b>	<b>7 891</b>

The carrying amounts of the Group's other receivables are denominated in the following currencies:

(in CHF 1 000)	2020	2019
EUR	3 723	5 244
USD	1 768	1 519
CNY	333	536
Other	611	592
<b>Total</b>	<b>6 435</b>	<b>7 891</b>

All non-current receivables are due within five years from the end of the reporting period. No impairments were recognized on other receivables in 2019/20 (2018/19 none).

## 13. Inventories

(in CHF 1 000)	2020	2019
Raw materials and supplies	10 698	12 870
Work in progress	3 641	3 852
Finished goods	13 465	16 497
<b>Inventories, gross</b>	<b>27 804</b>	<b>33 219</b>
Less allowance for valuation	(3 895)	(3 554)
<b>Total</b>	<b>23 909</b>	<b>29 665</b>

The cost of inventories recognized as expense and included in cost of goods sold in 2019/20 amounted to CHF 67 975 (2018/19: CHF 71 396).

## 14. Property plant and equipment

(in CHF 1 000)	Land	Buildings	Leasehold improvements	Construction in progress	Machinery and equipment	Furniture and fixtures	Motor vehicles	IT equipment	Total
<b>Historical cost</b>									
Balance at April 1, 2018	95	1 308	5 737	-	34 166	3 609	2 604	5 323	52 842
Additions	-	-	256	69	2 473	123	377	271	3 569
Disposals	-	-	-	-	(878)	(269)	(341)	(367)	(1 855)
Currency translation differences	(4)	(68)	(233)	(2)	(1 644)	(123)	(118)	(233)	(2 425)
Reclassifications	-	-	-	-	-	3	-	(3)	-
<b>Balance at March 31, 2019</b>	<b>91</b>	<b>1 240</b>	<b>5 760</b>	<b>67</b>	<b>34 117</b>	<b>3 343</b>	<b>2 522</b>	<b>4 991</b>	<b>52 131</b>
Additions	-	-	318	-	1 586	119	490	364	2 877
Disposals	-	-	(42)	(8)	(1 407)	(53)	(652)	(193)	(2 355)
Currency translation differences	(5)	(62)	(326)	(1)	(1 906)	(195)	(114)	(307)	(2 916)
Reclassifications	-	-	-	(49)	49	-	-	-	-
<b>Balance at March 31, 2020</b>	<b>86</b>	<b>1 178</b>	<b>5 710</b>	<b>9</b>	<b>32 439</b>	<b>3 214</b>	<b>2 246</b>	<b>4 855</b>	<b>49 737</b>
<b>Accumulated depreciation</b>									
Balance at April 1, 2018	-	(655)	(4 392)	-	(27 163)	(3 166)	(1 807)	(4 587)	(41 770)
Annual depreciation	-	(25)	(302)	-	(2 142)	(135)	(369)	(387)	(3 360)
Depreciation on disposals	-	-	-	-	870	264	266	365	1 765
Currency translation differences	-	36	181	-	1 321	112	81	202	1 933
Reclassifications	-	-	-	-	-	-	-	-	-
<b>Balance at March 31, 2019</b>	<b>-</b>	<b>(644)</b>	<b>(4 513)</b>	<b>-</b>	<b>(27 114)</b>	<b>(2 925)</b>	<b>(1 829)</b>	<b>(4 407)</b>	<b>(41 432)</b>
Annual depreciation	-	(23)	(268)	-	(2 255)	(125)	(351)	(366)	(3 388)
Depreciation on disposals	-	-	21	-	1 392	53	631	190	2 287
Currency translation differences	-	33	243	-	1 519	166	90	272	2 323
Reclassifications	-	-	-	-	-	-	-	-	-
<b>Balance at March 31, 2020</b>	<b>-</b>	<b>(634)</b>	<b>(4 517)</b>	<b>-</b>	<b>(26 458)</b>	<b>(2 831)</b>	<b>(1 459)</b>	<b>(4 311)</b>	<b>(40 210)</b>
<b>Net book value</b>									
at March 31, 2019	91	596	1 247	67	7 003	418	693	584	10 699
at March 31, 2020	86	544	1 193	9	5 981	383	787	544	9 527

Depreciation of property, plant and equipment is included in the income statement under cost of goods sold, research & development expense and selling, general and administrative expense.

## 15. Intangible assets

(in CHF 1 000)	Goodwill	Software	Total
<b>Historical cost</b>			
Balance at April 1, 2018	6 553	2 300	8 853
Additions	-	54	54
Disposals	-	(28)	(28)
Currency translation differences	(189)	(101)	(290)
<b>Balance at March 31, 2019</b>	<b>6 364</b>	<b>2 225</b>	<b>8 589</b>
Additions	-	1 072	1 072
Disposals	-	(58)	(58)
Currency translation differences	(175)	(117)	(292)
<b>Balance at March 31, 2020</b>	<b>6 189</b>	<b>3 122</b>	<b>9 311</b>
<b>Accumulated amortization</b>			
Balance at April 1, 2018	-	(2 056)	(2 056)
Annual amortization	-	(114)	(114)
Amortization on disposals	-	26	26
Currency translation differences	-	94	94
<b>Balance at March 31, 2019</b>	<b>-</b>	<b>(2 050)</b>	<b>(2 050)</b>
Annual amortization	-	(83)	(83)
Amortization on disposals	-	59	59
Currency translation differences	-	109	109
<b>Balance at March 31, 2020</b>	<b>-</b>	<b>(1 965)</b>	<b>(1 965)</b>
<b>Net book value</b>			
at March 31, 2019	6 364	175	6 539
at March 31, 2020	6 189	1 157	7 346

Within intangible assets only goodwill is assumed to have an indefinite life. Amortization of intangible assets is included in the income statement under cost of goods sold, research & development expense and selling, general and administrative expense.

All goodwill resulting from past business combinations is monitored for internal management purposes at the operating segment (ACBU) level, as reflected in these consolidated financial statements. Goodwill has been tested for impairment as at March 31, 2020 and 2019 at this level. No impairment charge arose.

The recoverable amount of the cash-generating unit is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering

a three-year period. Cash flows beyond the three-year period are extrapolated using an appropriate estimated growth rate of 1.5% at March 31, 2020 and March 31, 2019. This growth rate is consistent with forecasts included in industry reports specific to the industry in which the CGU operates. The assumptions made reflect past experience and/or market expectations. A decrease in projected growth rate after the year 2022/23 to zero would not change the result of the impairment test. The discount rate applied to the cash flow projections is based on the weighted average cost of capital and is correspondingly adjusted to the specific business risks. The pre-tax discount rate applied was 8.49% at March 31, 2020, and 8.76% at March 31, 2019. Management is of the opinion that possible changes in the assumptions made, barring any exceptional events, would not lead to any impairment charge.

## 16. Other payables

(in CHF 1 000)	2020	2019
<b>Current</b>		
VAT payable	2 097	2 059
Payables to employees	334	688
Payables to social security institutions	751	910
Insurance	226	3
Other payables	527	527
Advances	84	54
Accrued warranty costs	312	319
Accrued personnel expense	8 054	8 957
Accrued consultants	882	886
Other accrued expense	792	826
<b>Total current</b>	<b>14 059</b>	<b>15 229</b>
<b>Non-current</b>		
Other payables	99	107
Accrued personnel expense	1 264	1 364
<b>Total non-current</b>	<b>1 363</b>	<b>1 471</b>
<b>Total other payables</b>	<b>15 422</b>	<b>16 700</b>

## 17. Borrowings

This section sets out an analysis of net cash (debt) and the movements in net cash (debt) for each of the years presented:

## Net cash (debt) reconciliation

(in CHF 1 000)	2020	2019
<b>Current</b>		
Cash and cash equivalents	47 462	47 784
Borrowings	(1 447)	-
Lease liabilities	(2 351)	-
<b>Net current cash (debt)</b>	<b>43 664</b>	<b>47 784</b>
<b>Non-current</b>		
Lease liabilities	(3 997)	-
<b>Net non-current cash (debt)</b>	<b>(3 997)</b>	<b>-</b>
<b>Net cash (debt)</b>	<b>39 667</b>	<b>47 784</b>

(in CHF 1 000)	Liabilities from financing activities			Other assets	
	Borrowings	Leases	Sub-total	Cash	Total
<b>Net cash (debt) at April 1, 2018</b>	-	-	-	<b>50 744</b>	<b>50 744</b>
Cash flows	-	-	-	(1 929)	(1 929)
Foreign exchange adjustments	-	-	-	(1 031)	(1 031)
<b>Net cash (debt) at March 31, 2019</b>	-	-	-	<b>47 784</b>	<b>47 784</b>
Cash flows	(1 480)	2 609	1 129	1 452	2 581
Acquisition - leases	-	(8 957)	(8 957)	-	(8 957)
Foreign exchange adjustments	33	-	33	(1 774)	(1 741)
<b>Net cash (debt) at March 31, 2020</b>	<b>(1 447)</b>	<b>(6 348)</b>	<b>(7 795)</b>	<b>47 462</b>	<b>39 667</b>



## 18. Employee benefit obligations

The amounts recognized in the balance sheet for pension benefits are determined as follows:

(in CHF 1 000)	2020	2019
Present value of funded obligations	7 959	8 204
Fair value of plan assets	(5 338)	(5 816)
<b>Underfunding</b>	<b>2 621</b>	<b>2 388</b>
Present value of unfunded obligations	4 386	4 946
<b>Total</b>	<b>7 007</b>	<b>7 334</b>

The movement in the defined benefit obligation over the year is as follows:

(in CHF 1 000)	2019/20	2018/19
<b>Balance at April 1</b>	<b>13 150</b>	<b>10 101</b>
Current service cost	496	461
Contributions from plan participants	74	69
Interest cost	118	148
Actuarial losses (gains)	(11)	1 569
Benefits paid	(669)	1 141
Past service cost	(244)	-
Settlements and curtailments	-	-
Exchange differences	(569)	(339)
<b>Balance at March 31</b>	<b>12 345</b>	<b>13 150</b>

The movement in the fair value of plan assets over the year is as follows:

(in CHF 1 000)	2019/20	2018/19
<b>Balance at April 1</b>	<b>5 816</b>	<b>3 545</b>
Contributions from employer	221	199
Contributions from plan participants	74	69
Interest income	36	37
Actuarial gains (losses)	(362)	250
Benefits paid	(250)	1 762
Change due to plan combinations	-	-
Administrative expense	(4)	(4)
Exchange differences	(193)	(42)
<b>Balance at March 31</b>	<b>5 338</b>	<b>5 816</b>

The employee benefit expense charged in the income statement under cost of goods sold, research & development expense and selling, general and administrative expense is as follows:

(in CHF 1 000)	2019/20	2018/19
Defined benefit plans	335	558
Defined contribution plans	483	643
<b>Total</b>	<b>818</b>	<b>1 201</b>

The amounts recognized in the income statement are determined as follows:

(in CHF 1 000)	2019/20	2018/19
<b>Defined benefit plans</b>		
Current service cost	496	461
Interest cost	118	148
Return on plan assets (expected)	(36)	(37)
Administrative expense	4	4
Past service cost	(244)	-
Amortization of net gain (loss)	(3)	(18)
Curtailment loss (gain) recognized	-	-
<b>Total defined benefit plans</b>	<b>335</b>	<b>558</b>
<b>Defined contribution plans</b>		
Employer contributions	483	643
<b>Total defined contribution plans</b>	<b>483</b>	<b>643</b>
<b>Total</b>	<b>818</b>	<b>1 201</b>

The remeasurement recognized in the statement of other comprehensive income is comprised as follows:

(in CHF 1 000)	2019/20	2018/19
<b>Actuarial gains (losses)</b>		
- arising from changes in demographic assumptions	-	-
- arising from changes in financial assumptions	132	(751)
- arising from plan experience	(124)	(836)
- arising from revaluation of assets	(357)	248
- Return on plan assets (excluding amounts in net interest)	(5)	2
<b>Total</b>	<b>(354)</b>	<b>(1 337)</b>

During the next financial year, the Group expects employer contributions to defined benefit plans to amount to CHF 201.

The weighted average duration of the defined benefit obligation is 14.4 years (2019: 14.3 years).

The principal actuarial assumptions are as follows:

	2019/20	2018/19
<b>Switzerland</b>		
Discount rate	0.45 %	0.50 %
Inflation rate	1.00 %	1.00 %
Future salary increases	1.25 %	1.25 %
Future pension increases	0.00 %	0.00 %
<b>Norway</b>		
Discount rate	1.80 %	2.30 %
Inflation rate	0.00 %	0.00 %
Future salary increases	2.25 %	2.75 %
Future pension increases	2.00 %	2.50 %

The sensitivity of the defined benefit obligation to a change of +/- 0.25 % in these assumptions is as follows:

(in CHF 1 000)	+0.25 %	-0.25 %
Discount rate	(219)	232
Inflation rate	53	(38)
Future salary increases	53	(47)
Future pension increases	135	(21)

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for Switzerland are based on post-retirement mortality tables BVG 2015 GT and for Norway on the tables K 2013 BE.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The major categories of plan assets are as follows:

	2020	2019
<b>Switzerland</b>		
Cash and cash equivalents	0.60 %	3.20 %
Equity instruments	30.70 %	33.10 %
Debt instruments	25.10 %	25.40 %
Property	21.00 %	17.90 %
Other	22.60 %	20.40 %
<b>Total</b>	<b>100.00 %</b>	<b>100.00 %</b>
<b>Norway</b>		
Cash and cash equivalents	0.00 %	0.00 %
Equity instruments	13.60 %	11.00 %
Debt instruments	74.90 %	79.80 %
Property	0.50 %	8.70 %
Other	11.00 %	0.50 %
<b>Total</b>	<b>100.00 %</b>	<b>100.00 %</b>

All equity and debt instruments are quoted or daily traded (mostly collective funds).

Carlo Gavazzi operates two funded defined benefit plans in Switzerland and Norway. The pension plans grant old-age, disability, spouse and child-pensions. The benefits are granted in relation to a percentage of the salary (in Norway final salary plan). In Switzerland, when reaching retirement age, the savings capital will be converted at a fixed conversion rate into an old-age pension. In the event that an employee leaves his employment with Carlo Gavazzi prior to reaching pensionable age, the cumulative balance of the savings account is withdrawn from the pension plan and is transferred into the pension plan of the employee's new employer. In the event that a pension fund would enter into an underfunded status, the active members and Carlo Gavazzi would be required to make additional contributions until such time as the fund is in a fully funded position. Both the Swiss and the Norwegian plans are expected to outperform corporate bonds in the long-term.

Pension plan assets of the subsidiaries in Norway and Switzerland are invested with trustee-administered funds. Investment strategy and decisions are made at the sole discretion of the respective fund trustees. The Boards of Trustees handle the general management of the pension schemes, ensure compliance with the statutory requirements, define the strategic objectives and policies of the pension schemes and identify the resources for their implementation. They determine the level of benefits and the investment strategy for the plan assets based on asset/liability analyses performed periodically. The basis for these analyses are the statutory pension obligations as these largely determine the cash flows of the funds. The Boards decide also on the asset allocation and are responsible towards the authorities for the correct administration of the collective foundations.

Subsidiaries in all other jurisdictions provide unfunded pension plans only.

## 19. Other provisions

(in CHF 1 000)	Restoration cost	Warranties	Total
<b>Balance at March 31, 2018</b>	<b>452</b>	<b>85</b>	<b>537</b>
Additions	4	-	4
Utilization	-	(39)	(39)
Reversal of unused provision	-	-	-
Currency translation differences	(20)	(3)	(23)
<b>Balance at March 31, 2019</b>	<b>436</b>	<b>43</b>	<b>479</b>
Additions	1	-	1
Utilization	-	(20)	(20)
Reversal of unused provision	-	-	-
Currency translation differences	(22)	(1)	(23)
<b>Balance at March 31, 2020</b>	<b>415</b>	<b>22</b>	<b>437</b>

## 20. Income taxes

Income tax expense is as follows:

(in CHF 1 000)	2019/20	2018/19
<b>Current income taxes</b>	<b>3 586</b>	<b>4 346</b>
Adjustments for taxes of prior periods	495	236
Deferred taxes	(96)	(215)
<b>Total</b>	<b>3 985</b>	<b>4 367</b>

Carlo Gavazzi Holding AG is incorporated in Switzerland but the Group operates in numerous countries with differing tax laws and rates. Profits are generated primarily outside Switzerland. The Group calculates its expected tax rate as a weighted average of the tax rates in the relevant tax jurisdictions.

Reconciliation of profit before income tax to income tax expense is as follows:

(in CHF 1 000)	2019/20	2018/19
<b>Profit before income tax</b>	<b>10 060</b>	<b>15 078</b>
Average tax rate	26.67 %	26.29 %
<b>Expected income tax expense</b>	<b>2 683</b>	<b>3 964</b>
Effect of non-tax-deductible expense	170	146
Effect of non-taxable items	(262)	(406)
Effect of waived capitalization of tax losses	774	167
Utilization of previously unrecognized tax losses	-	(101)
Adjustments in respect of prior periods	495	236
Taxes not directly related to income	198	257
Other	(73)	104
<b>Effective income tax expense</b>	<b>3 985</b>	<b>4 367</b>

Variations in the average tax rate depend on the breakdown of results among the various entities and tax jurisdictions. The average tax rate did not differ materially from the previous year.

At the balance sheet date, the deferred tax assets and liabilities were attributable to items in the balance sheet as follows:

(in CHF 1 000)	2020	2019
Trade receivables	21	5
Inventories	802	646
Property, plant and equipment (non-current)	826	962
Intangible assets	790	908
Other assets	19	94
Other payables	1 297	1 375
Leases	13	-
Tax loss carry-forwards	214	248
<b>Net deferred tax assets (liabilities)</b>	<b>3 982</b>	<b>4 238</b>
of which reported in the balance sheet as:		
Deferred income tax assets	3 982	4 238
Deferred income tax liabilities	-	-

For tax return purposes, certain subsidiaries have tax loss carry-forwards as follows:

#### Summary of tax loss carry-forwards

(in CHF 1 000)	Gross value		Tax benefits	
	2020	2019	2020	2019
<b>Expiring in</b>				
1-7 years	-	-	-	-
Unlimited	972	1 126	214	248
<b>Tax loss carry-forwards capitalized at March 31</b>	<b>972</b>	<b>1 126</b>	<b>214</b>	<b>248</b>
<b>Expiring in</b>				
1 year	14	-	4	-
5 years	71	-	7	-
6 years	335	71	35	7
7 years	2 331	335	245	35
Unlimited	5 350	4 799	1 688	1 486
<b>Tax loss carry-forwards not capitalized at March 31</b>	<b>8 101</b>	<b>5 205</b>	<b>1 979</b>	<b>1 528</b>
<b>Total tax loss carry-forwards</b>	<b>9 073</b>	<b>6 331</b>	<b>2 193</b>	<b>1 776</b>

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The major amounts are derived from non-profitable subsidiaries which, based on approved mid-term business plans and budgets, are not expected to generate taxable profits in the foreseeable future.

## 21. Share capital

The share capital of Carlo Gavazzi Holding AG at March 31, 2020 amounts to CHF 10 661 (2019: CHF 10 661) and is divided into registered shares of CHF 3.00 each and bearer shares of CHF 15.00 each. Each share carries one vote and all shares are entitled to receive dividends. The registered share capital amounts to CHF 4 800 divided into 1 600 000 registered shares of CHF 3.00 each (2019: 1 600 000 of CHF 3.00 each). The bearer share capital amounts to CHF 5 861 divided into 390 710 bearer shares of CHF 15.00 each (2019: 390 710 of CHF 15.00 each). All issued shares are fully paid.

There are no restrictions in Carlo Gavazzi Holding AG's statutes concerning the registration of registered shares. Under Swiss law, a company can hold up to a maximum of 10% of its own shares. As at March 31, 2020 and 2019, the Group held no own shares.

## 22. Commitments and contingencies

### Guarantees and sureties

The Group has guaranteed the debt to banks and other third parties on behalf of consolidated subsidiaries to cover banking facilities amounting to CHF 1 500 (2019: CHF 1 550). These guarantees have no expiry date and continue to be effective as long as the respective banking facilities continue to be extended.

There are no loans and overdraft facilities granted to group companies by outside lenders which have been collateralized by pledging assets.

### Pending legal cases

There are no legal cases pending against the Group where the outcome could have any material effect on the financial statements.

## 23. Related party transactions

The related parties consist primarily of shareholders (with voting rights of more than 20%), members of the Board of Directors and members of Executive Management. Valeria Gavazzi, Zug, indirectly controls 73.85% (2018/19: 73.85%) of the voting rights at the end of the reporting period through Barguzin Participation SA, Zug.

### Subsidiaries

Interests in subsidiaries are set out in note 25.

### Key management compensation

Key management consists of members of the Board of Directors and members of Executive Management. The compensation paid or payable to key management personnel (all for short-term

benefits), including employer's social security contributions, is as follows:

(in CHF 1 000)	2020	2019
<b>Key management personnel compensation</b>		
Short-term employee benefits	1 385	1 294
One-off compensation fee	50	-
Post-employment benefits	34	47
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
<b>Total</b>	<b>1 469</b>	<b>1 341</b>

At the end of the reporting period, CHF 375 (2018/19: CHF 340) was outstanding within accrued personnel expense in other payables (note 16). Detailed remuneration disclosures are provided in the compensation report on pages 36 to 37.

### Other transactions

During the year, the Group received advisory services from the member of the Board of Directors Stefano Premoli Trovati for a total of CHF 73 (2018/19: CHF 96). In addition, he received board fees from subsidiary companies of CHF 27 (2018/19: CHF 28). At the end of the reporting period, CHF 73 (2018/19: CHF 160) was outstanding within accrued consultants in other payables (note 16). Outstanding balances at the end of the reporting period are interest free and settlement occurs in cash. There were no further transactions other than dividends paid to shareholders. Dividends paid to related party shareholders amounted to CHF 3 536 (2018/19: CHF 3 536). Transactions relating to dividends were on the same terms and conditions that applied to all other shareholders.

There were no other significant transactions with related parties during the periods.

## 24. 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.

## 25. Subsidiaries

At March 31, 2020 the following significant non-listed companies were held by Carlo Gavazzi Holding AG:

Percentage of shares held	Company name and domicile	Share capital (Local currency in 1 000)	
100 %	CARLO GAVAZZI PARTICIPATION DANMARK A/S, Hadsten, Denmark	DKK	10 000
100 %	CARLO GAVAZZI GmbH, Vienna, Austria	EUR	73
100 %	CARLO GAVAZZI SA, Vilvoorde, Belgium	EUR	224
100 %	CARLO GAVAZZI (CANADA) Inc, Mississauga, Canada	CAD	5
100 %	CARLO GAVAZZI AUTOMATION (KUNSHAN) Co Ltd, Kunshan, China	CNY	7 484
100 %	CARLO GAVAZZI HANDEL A/S, Hadsten, Denmark	DKK	5 000
100 %	CARLO GAVAZZI INDUSTRI A/S, Hadsten, Denmark	DKK	10 000
100 %	CARLO GAVAZZI INDUSTRI KAUNAS UAB, Kaunas, Lithuania	EUR	10
100 %	CARLO GAVAZZI OY AB, Espoo, Finland	EUR	50
100 %	CARLO GAVAZZI Sarl, Roissy, France	EUR	274
100 %	CARLO GAVAZZI GmbH, Darmstadt, Germany	EUR	500
100 %	CARLO GAVAZZI UK Ltd, Frimley, Great Britain	GBP	100
100 %	CARLO GAVAZZI SpA, Lainate, Italy	EUR	2 300
100 %	CARLO GAVAZZI AUTOMATION SpA, Lainate, Italy	EUR	7 180
100 %	CARLO GAVAZZI LOGISTICS SpA, Lainate, Italy	EUR	1 500
100 %	CARLO GAVAZZI CONTROLS SpA, Belluno, Italy	EUR	916
100 %	CARLO GAVAZZI AUTOMATION (M) Sdn Bhd, Petaling Jaya, Malaysia	MYR	730
100 %	CARLO GAVAZZI Ltd, Zejtun, Malta	EUR	1 048
100 %	CARLO GAVAZZI BV, Beverwijk, Netherlands	EUR	136
100 %	CARLO GAVAZZI AS, Porsgrunn, Norway	NOK	1 000
100 %	CARLO GAVAZZI UNIPESOAL Lda, Lisbon, Portugal	EUR	25
100 %	CARLO GAVAZZI AUTOMATION SINGAPORE Pte Ltd, Singapore	USD	358
100 %	CARLO GAVAZZI AUTOMATION (CHINA) Co Ltd, Shenzhen, China	CNY	1 735
100 %	CARLO GAVAZZI AUTOMATION HONG KONG Ltd, Hong Kong	HKD	50
100 %	CARLO GAVAZZI SA, Leioa, Spain	EUR	451
100 %	CARLO GAVAZZI AB, Karlstad, Sweden	SEK	800
100 %	CARLO GAVAZZI AG, Steinhausen, Switzerland	CHF	200
100 %	CARLO GAVAZZI Inc, Buffalo Grove, USA	USD	5
1 %	CARLO GAVAZZI Mexico SA de CV, Naucalpan de Juarez, Mexico	MXN	1 328
99 %	CARLO GAVAZZI Mexico SA de CV, Naucalpan de Juarez, Mexico	MXN	1 328
100 %	CARLO GAVAZZI Automação Ltda, Sao Paulo, Brazil	BRL	10 163
100 %	CARLO GAVAZZI SERVICES AG, Steinhausen, Switzerland	CHF	500

On September 19, 2019, Carlo Gavazzi International NV, Willemstad, Curaçao, moved its domicile to Steinhausen, Switzerland, and on September 30, 2019 was merged into Carlo Gavazzi Services AG, Steinhausen, Switzerland. There were no major changes in principal subsidiaries held by the Group during the year ended March 31, 2019.

In all cases, the voting rights in the subsidiaries are the same as the percentages of shares held.



## Report of the Statutory Auditor

# Report of the statutory auditor

to the General Meeting of Carlo Gavazzi Holding AG

Steinhausen

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of Carlo Gavazzi Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income and the consolidated balance sheet as at 31 March 2020, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 42 to 74) give a true and fair view of the consolidated financial position of the Group as at 31 March 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

#### Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Our audit approach

##### Overview



Overall Group materiality: CHF 630'000

We concluded full scope audit work at 24 reporting units in 18 countries. Our audit scope addressed over 87% of the Group's revenue and 84% of total assets.

As key audit matter the following area of focus has been identified:

Valuation of inventory

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# Report of the Statutory Auditor

## Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 630'000
How we determined it	5% of 3-year average profit before tax
Rationale for the materiality benchmark applied	We chose 3-year average profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark. The average of 3 years reflects the volatility of the results in the past years.

We agreed with the Audit Committee that we would report to them misstatements above CHF 31'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

## Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor and the component auditors. As a significant sub-consolidation was audited by a PwC component team, we ensured that, as Group auditor, we were sufficiently involved in the audit to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditor to provide a basis for our opinion. The involvement of the Group auditor included meetings with PwC Italy, an investigation of the risk analysis and a discussion with the PwC component audit team about work performed for significant audit areas at sub-consolidation level.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Valuation of inventory

Key audit matter	How our audit addressed the key audit matter
The valuation of inventory is considered as a key audit matter due to the size of inventory but also the nature of the judgements made by management when assessing the level of provision for write-downs.	In assessing the reasonableness of management's assessment, we performed the following audit procedures:
We refer to page 46 (significant accounting and valuation policies) and page 65 (note 13 inventories).	<ul style="list-style-type: none"> <li>We gained an understanding of management's processes and tested the key controls associated with inventory cost price and margin data.</li> </ul>

## Report of the Statutory Auditor

- 
- We assessed the appropriateness of the methodology used to calculate the provisions held against inventory.
  - We assessed the reasonableness of management's assumptions and verified the model for mathematical accuracy.
  - We tested that the inventory values do not exceed the net realisable value by selecting samples and comparing the actual sales value less selling costs to the value held in inventory.

Based on our audit work performed we assess the valuation of inventory as reasonable.

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### Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of Carlo Gavazzi Holding AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

# Report of the Statutory Auditor

## Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Illi  
Audit expert  
Auditor in charge



Daniel Wyss  
Audit expert

Zug, 23 June 2020



# Financial Statements

for the years ended March 31, 2020 and 2019

## Statements of Income

for the years ended March 31

(in CHF 1 000)	Notes	2020	2019
<b>Income</b>			
Dividend income		9 310	4 576
<b>Total income</b>		<b>9 310</b>	<b>4 576</b>
<b>Expenses</b>			
Personnel expense	6	(471)	(327)
Other operating expense		(70)	(74)
Bank fees		(40)	-
Foreign exchange loss		-	(83)
Provision for investments	2	(25 000)	-
<b>Total expenses</b>		<b>(25 581)</b>	<b>(484)</b>
<b>Profit before taxes</b>		<b>(16 271)</b>	<b>4 092</b>
Direct taxes		(2)	(2)
<b>Profit for the year</b>		<b>(16 273)</b>	<b>4 090</b>

See notes to financial statements

## Balance Sheets

at March 31

(in CHF 1 000)	Notes	2020	2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		13 426	18 102
Other accounts receivable – subsidiaries		5 178	249
<b>Total current assets</b>		<b>18 604</b>	<b>18 351</b>
<b>Non-current assets</b>			
Investments in subsidiaries	2	40 636	65 636
<b>Total non-current assets</b>		<b>40 636</b>	<b>65 636</b>
<b>Total assets</b>		<b>59 240</b>	<b>83 987</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Other short-term liabilities – third parties		16	15
Provisions – taxes		2	2
Accrued expenses		416	362
<b>Total current liabilities</b>		<b>434</b>	<b>379</b>
<b>Total liabilities</b>		<b>434</b>	<b>379</b>
<b>Shareholders' equity</b>			
Share capital	3,4	10 661	10 661
<b>Legal capital reserves</b>			
Reserves from capital contributions		38	38
<b>Statutory retained earnings</b>		<b>2 150</b>	<b>2 150</b>
<b>Voluntary retained earnings</b>			
Free reserves		54 837	54 837
Available earnings – profit brought forward		7 393	11 832
Available earnings – profit for the year		[16 273]	4 090
<b>Total shareholders' equity</b>		<b>58 806</b>	<b>83 608</b>
<b>Total liabilities and shareholders' equity</b>		<b>59 240</b>	<b>83 987</b>

See notes to financial statements

## Statements of Changes in Available Earnings and Reserves

(in CHF 1 000)

### Available earnings

<b>Balance March 31, 2018</b>	<b>20 361</b>
Dividend paid	(8 529)
Profit for the year 2018/19	4 090
<b>Balance March 31, 2019</b>	<b>15 922</b>
Dividend paid	(8 529)
Profit for the year 2019/20	(16 273)
<b>Balance March 31, 2020</b>	<b>(8 880)</b>

### Proposal of the Board of Directors for 2019/20 regarding transfer of free reserves

Transfer from free reserves to available earnings	10 000
To be carried forward	44 837
<b>Free reserves per balance sheet</b>	<b>54 837</b>

### Proposal of the Board of Directors for 2019/20 regarding available earnings

Available earnings per March 31, 2020	(8 880)
Transfer from free reserves to available earnings	10 000
<b>To be carried forward</b>	<b>1 120</b>



# Notes to the Financial Statements

at March 31

All amounts are in CHF 1 000 unless otherwise stated.

Due to the internal merger of two subsidiaries in 2019/20, a provision of CHF 25 000 was required.

## 1. General principles

These financial statements have been prepared according to the Swiss Law on Accounting and Financial Reporting (Title 32 of the Swiss Code of Obligations).

## 2. Investments

Details of the subsidiaries held by Carlo Gavazzi Holding AG and major changes during the year are included in note 25 to the Consolidated Financial Statements. Investments in subsidiaries are recorded at cost value at the time of recognition. Investments are valued individually unless they are grouped together because of their similarity as members of a group for valuation.

The investments are valued by comparing the carrying value with the net equity of the subsidiary company and when required, a provision is made.

## 3. Share capital

The Company's share capital is divided into registered shares of CHF 3.00 each and bearer shares of CHF 15.00 each. Each share carries one vote. The registered share capital amounts to CHF 4 800 divided into 1 600 000 registered shares of CHF 3.00 each (2019: 1 600 000 of CHF 3.00 each). The paid-in bearer share capital amounts to CHF 5 861 divided into 390 710 bearer shares of CHF 15.00 each (2019: 390 710 of CHF 15.00 each). There are no restrictions in the Company's statutes concerning the registration of registered shares. Under Swiss law, a company can hold up to a maximum of 10% of its own shares. All shares are entitled to receive dividends.

## 4. Significant shareholders and their shareholdings

This note has been prepared in accordance with the requirements of article 663c of the Swiss Code of Obligations (SCO).

### Shareholdings of members of the Board of Directors

at March 31, 2020	Valeria Gavazzi Chairman	Stefano Premoli Trovati Vice-Chairman	Federico Foglia Member	Daniel Hirschi Member	Total
Number of bearer shares	*	-	911	-	911
In percentage of share capital	*	-	0.13	-	0.13
In percentage of voting rights	*	-	0.04	-	0.04
Value of shares (in CHF 1 000)	*	-	186	-	186

at March 31, 2019	Valeria Gavazzi Chairman	Stefano Premoli Trovati Vice-Chairman	Federico Foglia Member	Daniel Hirschi Member	Total
Number of bearer shares	*	-	911	-	911
In percentage of share capital	*	-	0.13	-	0.13
In percentage of voting rights	*	-	0.04	-	0.04
Value of shares (in CHF 1 000)	*	-	232	-	232

## Notes to the Financial Statements

(\* At March 31, 2020 and 2019, Valeria Gavazzi, Chairman, personally owns nil bearer shares and nil registered shares. In addition, Valeria Gavazzi indirectly controls 1 469 350 registered shares and 834 bearer shares with 41.47% of the share capital and 73.85% of the voting rights.

In addition, at March 31, 2020 and 2019, the mother, Uberta Gavazzi, Zug, owns 94 000 registered shares and 4 495 bearer shares (corresponding to 3.28% of the share capital and 4.95% of the voting rights).

Apart from these shareholders, there are no other major shareholders known to the Company holding more than 3% of the voting rights.

### **Shareholdings of members of Group Management**

At March 31, 2020 and 2019, the members of Group Management held no shares in the Company.

## **5. Securities, guarantees and pledges**

Guarantees issued in favour of subsidiary companies and affiliates amounted to CHF 1 500 (2019: CHF 1 550).

The Company is a member of a VAT group and is therefore jointly and severably liable for the payment of the VAT liabilities of the other members of the Swiss VAT group.

## **6. Full-time equivalents and personnel expense**

The Company has no employees. The personnel expense includes the compensation of the Board of Directors.

## **7. 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.

## Report of the Statutory Auditor

# Report of the statutory auditor

to the General Meeting of Carlo Gavazzi Holding AG

Steinhausen

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Carlo Gavazzi Holding AG, which comprise the balance sheet as at 31 March 2020, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 82 to 86) as at 31 March 2020 comply with Swiss law and the company's articles of incorporation.

#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Our audit approach

##### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 295'000
How we determined it	0.5% of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the benchmark against which the performance of the entity is most commonly measured and is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 15'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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## Report of the Statutory Auditor

### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

### Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

### Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERT-suisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

## Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings and reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

# Report of the Statutory Auditor

PricewaterhouseCoopers AG



Thomas Illi  
Audit expert  
Auditor in charge



Daniel Wyss  
Audit expert

Zug, 23 June 2020



## Group Companies

### Group

#### Headquarters

Switzerland	CARLO GAVAZZI HOLDING AG	+41 41 747 45 25	gavazzi@carlogavazzi.ch
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### Automation Components

#### Headquarters

Italy	CARLO GAVAZZI AUTOMATION SPA	+39 02 931 761	info@gavazziautomation.com
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#### Sourcing Companies

China	CARLO GAVAZZI AUTOMATION (KUNSHAN) CO LTD	+86 512 5763 9300	cgak@carlogavazzi.cn
Italy	CARLO GAVAZZI CONTROLS SPA	+39 0437 35 58 11	controls@gavazziacbu.it
Lithuania	CARLO GAVAZZI INDUSTRI KAUNAS UAB	+370 37 32 82 27	info@gavazzi.lt
Malta	CARLO GAVAZZI LTD	+356 2 360 1100	gavazzi@carlogavazzi.com.mt

#### National Sales Companies

Austria	CARLO GAVAZZI GMBH	+43 1 888 4112	office@carlogavazzi.at
Belgium	CARLO GAVAZZI NV/SA	+32 2 257 41 20	sales@carlogavazzi.be
Brazil	CARLO GAVAZZI AUTOMAÇÃO LTDA	+55 11 3052 0832	info@carlogavazzi.com.br
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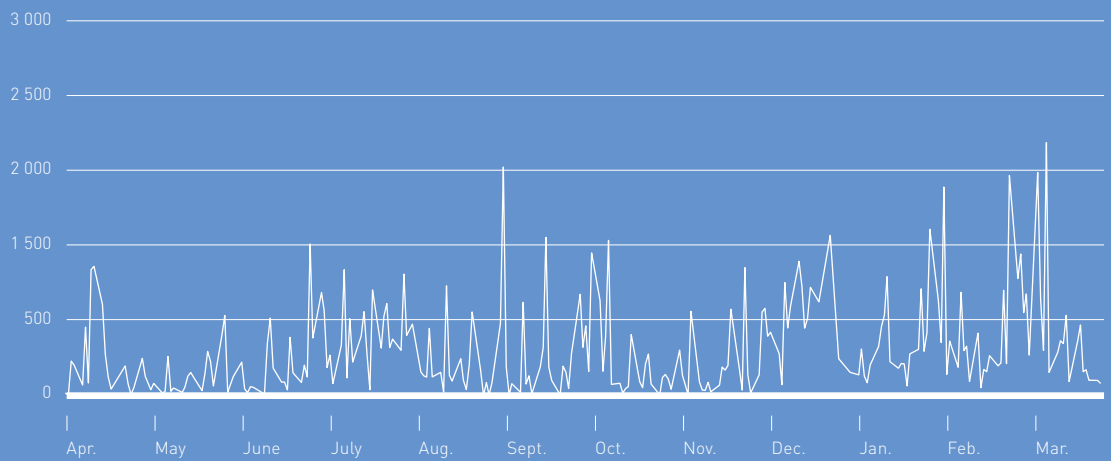


# Information for Investors

**Share price**  
1.4.2019-  
31.3.2020  
(CHF)



**Share volume**  
1.4.2019-  
31.3.2020  
(Number)



**Share price**  
1.4.2015-  
31.3.2020  
(CHF)



———— CARLO GAVAZZI BEARER SHARE (NOT ADJUSTED FOR DIVIDENDS)

..... SPI EXTRA™ (REBASED. NOT ADJUSTED FOR DIVIDENDS)







# CARLO GAVAZZI

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