CARLO GAVAZZI

Interim Report
April 1 – September 30, 2019

At a Glance

(CHF million)	1.4.–30.9.19	1.4.–30.9.18	%
Bookings	75.8	78.7	-3.7
Operating revenue	75.8	76.0	-0.3
EBITDA	8.5	8.4	1.2
EBIT	5.3	6.5	-18.5
Net income	3.3	4.6	-28.3
Cash flow	6.5	6.5	0.0

(CHF million)	30.9.19	31.03.19	%
Shareholders' equity	90.2	93.2	-3.2
Net working capital	35.8	35.7	0.3
Net cash position	37.9	47.8	-20.7

Letter to the Shareholders

Dear Shareholders,

During the first half of the 2019/20 financial year, the overall business performance of Carlo Gavazzi was solid, however, the strengthening of the Swiss Franc had an impact on revenues and net income when comparing the period of April to September 2019 to the same period in 2018.

The Group's operating revenue in local currency grew by 3.0% and bookings were at par with sales. In Swiss Francs, operating revenue decreased slightly by 0.3% to CHF 75.8 million (CHF 76.0 million in the first semester of the 2018/19 business year). Sales grew by 5.6% in Europe, decreased by 1.8% in the Americas and by 2.5% in Asia-Pacific. Bookings in local currency were stable and in Swiss Francs decreased by 3.7% to CHF 75.8 million (CHF 78.7 million in 2018/19), resulting in a book-to-bill ratio of 1.0 at September 30, 2019. Gross profit decreased by CHF 0.4 million to CHF 40.4 million (CHF 40.8 million in 2018/19) resulting in a gross margin of 53.3% (53.7% in 2018/19).

Operating expenses went up by CHF 0.9 million from CHF 34.2 million in the previous first half year to CHF 35.1 million owing to continuing increased investments in Marketing and Sales and in IT systems. Nonetheless, EBITDA was stable at CHF 8.5 million due to the first-time adoption of the new IFRS 16 Standard which resulted in a replacement of rental expense with depreciation and interest expense.

Operating profit (EBIT) decreased by CHF 1.2 million to CHF 5.3 million, compared to CHF 6.5 million (-18.5%) in the first half of last year.

Group net income decreased by CHF 1.3 million (-28.3%) to CHF 3.3 million (CHF 4.6 million in 2018/19).

At September 30, 2019, shareholders' equity amounted to CHF 90.2 million, giving an equity ratio of 68.6%.

Geographical markets

In Europe, sales were 5.6% above the same period of last year. Business development was successful across Nordic, Central and Southern European countries, thanks to several activities and initiatives within building automation markets.

Sales in the Americas decreased by 1.8% mainly due to manufacturing contraction in the US market, which was impacted also by the general situation of increasing trade barriers. In Asia-Pacific, sales decreased by 2.5%, due to slowdown in industrial automation and postponement of project-based business in building automation.

The geographical share of revenue outside Europe was 34.5%, with sales in the Americas and Asia-Pacific accounting for 19.8% and 14.7%, respectively.

Markets and products

Sales in priority markets increased 9.0% versus the same period of last year. Among the selected priority markets, Energy, Heating, ventilation and air conditioning (HVAC) and Smart building grew by 29.8%, 10.4% and 27.5%, respectively.

Sensors sales were 2.4% above the same period of last year mainly due to solid growth in capacitive and level sensor sales, also thanks to new products used in harsh environments and solid growth in HVAC applications.

Controls product sales were up 14.5% mainly due to a robust 20.7% increase in energy products, particularly driven by increased demand for energy management and energy efficiency solutions. Sales of Fieldbuses increased by 16.8% versus the same period of last year thanks to business development in both the Smart building market and the Distributors channel.

Sales of Switches products decreased by 6.7% compared to the previous year. Solid state relays sales decreased by 13.2% due to slow-down in industrial automation markets affected by weakening manufacturing activities globally. Motor controls sales were 10.2% above the previous year also due to further business development in the HVAC applications for OEMs.

Outlook

The current economic environment is characterized by weakened manufacturing activity and generally increasing trade barriers. In addition, geopolitical tensions are adding to the growing economic uncertainty. Nevertheless, Carlo Gavazzi Group continues to see growth opportunities in key countries and priority markets, and will continue to invest in IT systems, R&D and Marketing and Sales.

Valeria Gavazzi
Chairman

Anthony M. Goldstein
Chief Financial Officer

Statements of Comprehensive Income

for the six months ended September 30

(in CHF 1 000)	Notes	2019	2018
Continuing operations			
Revenue from sale of goods		75 758	76 005
Cost of goods sold		(35 362)	(35 196)
Gross profit		**40 396**	**40 809**
Research & development expense		(4 328)	(4 255)
Selling, general and administrative expense		(30 718)	(29 985)
Other operating income (expense), net		(58)	(24)
Operating profit (EBIT)		**5 292**	**6 545**
Financial income		28	33
Financial expense		(174)	(14)
Profit before income tax		**5 146**	**6 564**
Income tax expense		(1 846)	(1 946)
Net profit for the period		**3 300**	**4 618**
Other comprehensive income			
Total items that will not be reclassified to profit or loss		**–**	**–**
Exchange (loss) gain on translation of foreign operations		(2 083)	(2 132)
Total items that may be reclassified subsequently to profit or loss		**(2 083)**	**(2 132)**
Total other comprehensive income for the period, net of tax		**(2 083)**	**(2 132)**
Total comprehensive income for the period		**1 217**	**2 486**
Net profit attributable to owners of Carlo Gavazzi Holding AG		3 300	4 618
Comprehensive income attributable to owners of Carlo Gavazzi Holding AG		1 217	2 486
Earnings per share from net profit of continuing operations for the period attributable to owners of Carlo Gavazzi Holding AG (in CHF per share)			
Basic and diluted earnings per share of continuing operations:			
– registered shares	9	0.93	1.30
– bearer shares	9	4.64	6.50

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

Balance Sheets

(in CHF 1 000)	Notes	as of September 30 2019	as of March 31 2019
Assets			
Current assets			
Cash and cash equivalents		37 939	47 784
Trade receivables		27 358	29 022
Other receivables		5 838	6 081
Inventories		30 422	29 665
Total current assets		**101 557**	**112 552**
Non-current assets			
Property, plant and equipment		10 093	10 699
Right-of-use assets	3	5 766	–
Intangible assets		7 108	6 539
Other receivables		2 531	1 810
Deferred income tax assets		4 254	4 238
Total non-current assets		**29 752**	**23 286**
Total assets		**131 309**	**135 838**
Liabilities and equity			
Current liabilities			
Trade payables		10 755	12 115
Other payables		13 344	15 229
Lease liabilities	3	2 153	–
Current income tax liabilities		1 482	1 714
Total current liabilities		**27 734**	**29 058**
Non-current liabilities			
Other payables		2 225	1 471
Lease liabilities	3	3 620	–
Employee benefit obligations		7 108	7 334
Other provisions		438	479
Total non-current liabilities		**13 391**	**9 284**
Total liabilities		**41 125**	**38 342**
Equity			
Share capital		10 661	10 661
Capital reserves		600	600
Other reserves		(25 620)	(23 537)
Retained earnings		104 543	109 772
Total equity attributable to owners of Carlo Gavazzi Holding AG		**90 184**	**97 496**
Total liabilities and equity		**131 309**	**135 838**

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
Equity at September 30, 2018		**10 661**	**600**	**(21 719)**	**103 679**	**93 221**
Net profit for the period		**–**	**–**	**–**	**6 093**	**6 093**
Actuarial gains (losses) on employee benefit obligations, net of tax		–	–	(1 085)	–	(1 085)
Exchange difference on translation of foreign operations		–	–	(733)	–	(733)
Other comprehensive income for the period		**–**	**–**	**(1 818)**	**–**	**(1 818)**
Total comprehensive income for the period		**–**	**–**	**(1 818)**	**6 093**	**4 275**
Total transactions with owners		**–**	**–**	**–**	**–**	**–**
Equity at March 31, 2019		**10 661**	**600**	**(23 537)**	**109 772**	**97 496**
Net profit for the period		**–**	**–**	**–**	**3 300**	**3 300**
Actuarial gains (losses) on employee benefit obligations, net of tax		–	–	–	–	–
Exchange difference on translation of foreign operations		–	–	(2 083)	–	(2 083)
Other comprehensive income for the period		**–**	**–**	**(2 083)**	**–**	**(2 083)**
Total comprehensive income for the period		**–**	**–**	**(2 083)**	**3 300**	**1 217**
Dividends	8	–	–	–	(8 529)	(8 529)
Total transactions with owners		**–**	**–**	**–**	**(8 529)**	**(8 529)**
Equity at September 30, 2019		**10 661**	**600**	**(25 620)**	**104 543**	**90 184**

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

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

Statements of Cash Flows

for the six months ended September 30

(in CHF 1 000)	Notes	2019	2018
Cash flow from operating activities			
Profit for the period		**3 300**	**4 618**
Income taxes		1 846	1 946
Depreciation and amortization		3 151	1 834
Loss (gain) on disposal of property, plant and equipment		(59)	(68)
Change in other non-cash items		(241)	(700)
Changes in working capital:			
– Change in trade receivables and other receivables		969	774
– Change in inventories		(1 577)	(7 278)
– Change in trade payables and other payables		(4 105)	355
Interest received		13	24
Interest paid	3	(99)	(14)
Income taxes paid		(337)	(554)
Cash flow from operating activities		**2 861**	**937**
Cash flow from investing activities			
Purchases of property, plant and equipment		(1 518)	(1 927)
Purchases of intangible assets		(740)	(15)
Proceeds from disposal of property, plant and equipment		66	89
Cash flow from investing activities		**(2 192)**	**(1 853)**
Cash flow from financing activities			
Dividends paid	7	(8 529)	(8 529)
Principal elements of lease payments	3	(1 321)	–
Proceeds from borrowings		–	–
Repayment of borrowings		–	–
Cash flow from financing activities		**(9 850)**	**(8 529)**
Change in cash and cash equivalents		**(9 181)**	**(9 445)**
Cash and cash equivalents at the beginning of the period		47 784	50 744
Effects of exchange rate changes on cash and cash equivalents		(664)	(741)
Cash and cash equivalents at the end of the period		**37 939**	**40 558**

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

Notes to the Consolidated Interim Financial Statements

1. General information

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

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

These unaudited consolidated half-year financial statements of the Group were approved for publication by the Board of Directors on November 18, 2019.

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

2. Significant accounting and valuation policies

The significant accounting and valuation policies are described in detail in the annual report for the financial year ended March 31, 2019. These policies have been applied consistently in the reporting periods presented, unless otherwise stated.

2.1 Basis of preparation

The Group's unaudited consolidated half-year financial statements have been prepared in accordance with the International Accounting Standard IAS 34 "Interim Financial Reporting". The consolidated interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended March 31, 2019, which were prepared in accordance with IFRS.

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

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

2.2 Changes to accounting policies

This note explains the impact of the adoption of IFRS 16 "Leases" on the group's financial statements and also discloses the new accounting policies that have been applied from April 1, 2019, in note 3 below.

The group has adopted IFRS 16 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. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on April 1, 2019.

Application of IFRIC 23 "Uncertainty over Income Tax Treatments" did not have any impact on the consolidated financial statements of the Group.

2.3 Principles of consolidation

The principles of consolidation and the number of consolidated legal entities remained unchanged compared with the ones presented in the Group's annual report for the financial year ended March 31, 2019.

2.4 Foreign currency translation

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

Exchange Rates

Period end rates applied for the consolidated balance sheet

Currency	Unit	30.09.2019	30.09.2018
BRL	100	23.95	24.27
CAD	1	0.75	0.76
CNY	100	13.96	14.29
DKK	100	14.57	15.27
EUR	1	1.09	1.14
GBP	1	1.23	1.28
HKD	100	12.73	12.54
MYR	100	23.80	23.71
NOK	100	10.98	12.05
SEK	100	10.15	11.03
SGD	1	0.72	0.72
USD	1	1.00	0.98

Average rates applied for the consolidated income statement

Currency	Unit	01.04.2019 30.09.2019	01.04.2018 30.09.2018
BRL	100	25.22	26.19
CAD	1	0.75	0.76
CNY	100	14.38	14.29
DKK	100	14.89	15.56
EUR	1	1.11	1.16
GBP	1	1.25	1.31
HKD	100	12.69	12.55
MYR	100	23.92	24.49
NOK	100	11.36	12.11
SEK	100	10.45	11.18
SGD	1	0.73	0.73
USD	1	0.99	0.98

3. Adjustments recognized on adoption of IFRS 16

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.

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
Lease liability recognized at April 1, 2019	**7 081**
Of which are:	
Current	2 467
Non-current	4 614
Total	**7 081**

The recognized right-of-use assets relate to the following types of assets:

(in CHF 1 000)	2019	April 1, 2019
Buildings	4 658	5 792
Machinery and equipment	118	122
Motor vehicles	797	927
IT equipment	193	240
Total	**5 766**	**7 081**

Amounts recognized in the Statement of Comprehensive Income

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

Depreciation charge of right-of-uses assets

(in CHF 1 000)	2019	2018
Buildings	1 019	–
Machinery and equipment	31	–
Motor vehicles	235	–
IT equipment	43	–
Total	**1 328**	–
Interest expense (included in financial expense)	**83**	–

The total cash outflow for leases in the period ended September 30, 2019 was CHF 1 404.

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 operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

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.

4. Significant events and business transactions

During the periods, there were no significant events or business transactions in connection with the critical accounting estimates and judgments defined in the Group's annual financial statements for the year ended March 31, 2019.

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, focussing individually on production, logistics, marketing and selling, key decisions are, consequently, made by corporate management at consolidated group level and not on the basis of the financial statements of individual legal entities.
- The holding company only provides corporate services; its operating result is monitored in the internal monthly reporting.

6. Notes to the Statement of Comprehensive Income

Gross sales in the first six months of the financial year 2019/20 amounted to CHF 75 758 (2018/19 CHF 76 005). The decrease of 0.3% is related to organic growth in local currency of 3.0% and a negative currency effect from the translation into Swiss Francs of 3.3%. Net income decreased in the first six months of the financial year 2019/20 to CHF 3 300 (2018/19 CHF 4 618) or -28.3%. The decrease is related to continuing increased investments in Marketing and Sales and in IT systems.

7. Contingent assets and contingent liabilities

There have not been any other significant changes to the Group's contingent assets or contingent liabilities since the approval of the consolidated financial statements for the year ended March 31, 2019.

8. Dividend

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:

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

9. Earnings per share

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

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

Basic and diluted earnings per share are as follows:

Basic and diluted earnings per share for the half year ended September 30

(in CHF 1 000)	2019	2018
Net profit attributable to owners of Carlo Gavazzi Holding AG	3 300	4 618
Percentage of registered shares outstanding in comparison with the share capital outstanding	45.03%	45.03%
Percentage of bearer shares outstanding in comparison with the share capital outstanding	54.97%	54.97%
Registered shares		
Net profit attributable to registered shareholders	1 486	2 079
Average number of shares outstanding	1 600 000	1 600 000
Basic and diluted earnings per registered share (CHF)	0.93	1.30
Bearer shares		
Net profit attributable to bearer shareholders	1 814	2 539
Average number of shares outstanding	390 710	390 710
Basic and diluted earnings per bearer share (CHF)	4.64	6.50

10. Related party transactions

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

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

11. Events after the balance sheet date

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

Declaration on Forward-Looking Statements

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

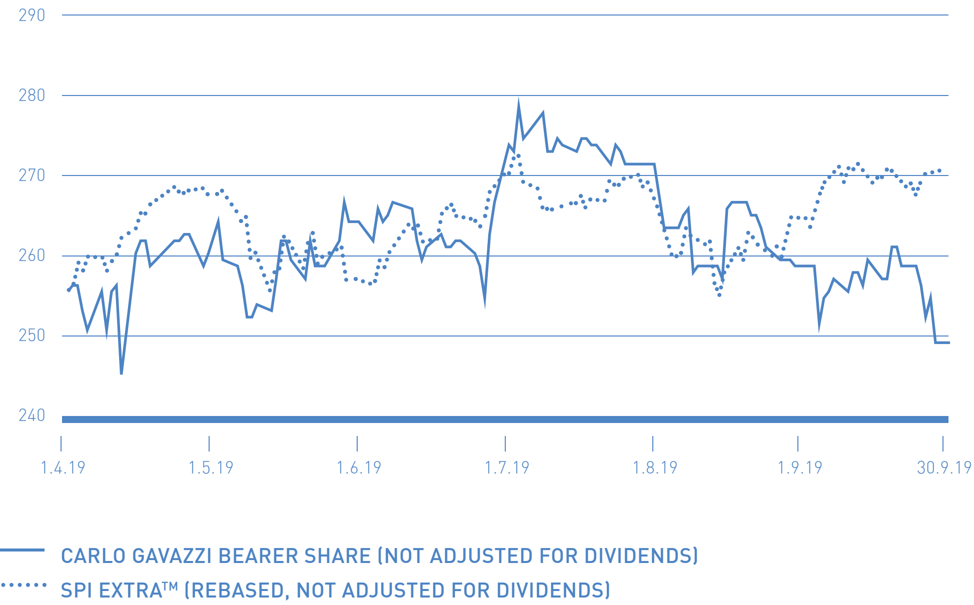
The Interim Report of the Group can also be viewed online: www.carlogavazzi.com

Information for Investors

(CHF)	1.4.–30.9.19	1.4.–30.9.18	1.4.–30.9.17	1.4.–30.9.16	1.4.–30.9.15
Share price September 30	**248**	290	352	238	209
– half year-high	**285**	358	373	240	239
– half year-low	**243**	290	289	209	196
Average daily volume	**356**	272	580	518	554
Earnings per share	**4.64**	6.50	5.73	8.85	5.31
Book value per share	**127**	131	130	125	121
Stock market capitalization (CHF million)	**176**	206	250	169	149
– in % of equity	**195**	221	271	190	172

Share price 1.4.2019 - 30.9.2019

(CHF)



Financial calendar

Media and financial analysts' meeting 2019/20	June 24, 2020
Shareholders' meeting 2019/20	July 28, 2020
Interim Report 2020/21	November 26, 2020

CARLO GAVAZZI

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