CARLO GAVAZZI

Media Information

Carlo Gavazzi in 2017/18: Sound revenue growth – higher investments in R&D, Marketing and Sales

- **Operating revenue increases to CHF 146.9 million (previous year: CHF 135.4 million); +6.1% in local currency (+8.5% in CHF)**
- **Bookings increase strongly to CHF 153.6 (CHF 137.7 million in 2016/17; +11.5% in CHF)**
- **EBIT reaches CHF 13.9 million (CHF 16.7 million in 2016/17)**
- **Net income reaches CHF 8.4 million (CHF 13.4 million in 2016/17)**
- **Consistently high equity ratio of 72.5% (2017: 73.6%)**
- **Dividend of CHF 12.00 per bearer share proposed to AGM**

Steinhausen, June 28, 2018 – In the 2017/18 business year, Carlo Gavazzi recorded a sound growth in revenue, driven by sales improvements in all regions and main product lines. Due to a one-off effect last year and increased investments in R&D, sales and marketing, EBIT and net income were below the 2016/2017 business year.

Operating revenue increased by 6.1% and bookings by 9.2% in local currency, on the back of solid sales in key markets and the ongoing launch of new products. Operating revenue in Swiss Francs increased by 8.5% to CHF 146.9 million (CHF 135.4 million in 2016/17). Bookings grew by 11.5% to CHF 153.6 million (CHF 137.7million in 2016/17), resulting in a book-to-bill ratio of 1.05 at March 31, 2018.

Gross profit increased by CHF 4.7 million to CHF 79.4 million (CHF 74.7 million in 2016/17) while the gross margin decreased by 1 percentage point to 54.1% due to more aggressive sales efforts in the market. Operating expenses were up by CHF 5.5 million from CHF 60.1 million in the previous year to CHF 65.6 million due to increased investments in R&D and expanded sales and marketing expenditure.

Operating profit (EBIT) reached CHF 13.9 million, compared to CHF 16.7 million (-16.8%) in the previous year. The reason for this difference was the one-off effect last year of the non-operational arbitration outcome with net proceeds of CHF 2.4 million plus the additional investments in R&D and sales and marketing stated above.

Group net income decreased by CHF 5.0 million to CHF 8.4 million (CHF 13.4 million in 2016/17), mainly due to a swing in the exchange difference of CHF 1.2 million with an exchange loss of CHF 1.0 million this year compared to an exchange gain of CHF 0.2 million in the previous year in addition to the effects described above.

At March 31, 2018, shareholders’ equity stood at CHF 99.3million (CHF 95.2 million in 2016/17), giving an equity ratio of 72.5% (2017: 73.6%) with a net cash position of CHF 50.7 million. Having assessed the results, the Board of Directors will propose to the Annual Shareholders’ Meeting that the Company pays a dividend of CHF 12.00 per bearer share and CHF 2.40 per registered share for the reporting period, corresponding to a pay-out ratio of 101.6%.

Share of sales outside Europe continues to expand

Sales grew across all three geographical regions in local currency.

In Europe, sales were 4.3% above the previous year due to good performance in industrial automation in the whole area, and further strengthening of activities in energy efficiency in the Central and Southern European countries.

Sales in Asia-Pacific increased by 18.7% compared to the previous year mainly due to business development programs in China, particularly in industrial automation.
In North America, sales grew by 3.2% compared to the previous year thanks to the dedicated programs deployed with distributors in industrial automation markets.

The geographical distribution of revenue continues to broaden, with sales outside Europe expanding to 35.1%, while North America and Asia-Pacific account for 19.8% and 15.3%, respectively.

Revenue growth in all product categories

To strengthen its position world-wide, the Group increased investments in its product portfolio with R&D spending growing by 18% in local currency.

Controls performed above the previous year, due to the contribution from energy management products and monitoring relays, which grew by 7.4% and 4.9%, respectively. This positive momentum is mainly due to the continuous increase in demand for energy monitoring products, such as the EM340 energy analyzers, and the monitoring relays in conventional energy and heating, ventilation and air conditioning (HVAC) markets.
Fieldbuses grew by 5.1% compared to the previous year mainly due to development of sales based on parking guidance projects.

Sensors performed above the previous year. A positive contribution came from both photoelectric sensors and capacitive sensors, which increased by more than 8% versus the previous year. Regarding photoelectric sensors, the growth was mainly due to the PD30 family of products which improved penetration in industrial automation markets. The growth in capacitive sensors was mainly due to the CA30 series which provides an ideal solution in industrial markets for reliable detection in harsh environments subject to high temperature.

Switches grew by more than 6% compared to the previous year, driven by strong sales of the RG platform, which includes compact and easy-to-use solid-state solutions for power control designed for the plastics, food & beverages and HVAC markets.

Sales of products in priority markets performed better than overall sales growth, with an increase of more than 12% and 10% in the agriculture and plastics markets.

Initiatives to improve the business model

The continuous introduction of new and enhanced products is a key element in the business development towards new and existing markets and geographies. Furthermore, the

Company is undertaking several initiatives to improve its business model. Concerning the manufacturing footprint, the production of fieldbus products has been transferred from the plant in Malta to the one in Belluno, Italy. Through this move, the Malta operations will benefit from an increase in production capacity for the switches products in order to enable an improvement in delivery performance, while at the Belluno site the production of fieldbuses will be better able to liaise with the local product management and R&D teams in order to help improve time-to-market.

Outlook

The return of trade barriers has made the global economy more volatile and political uncertainties are clearly rising. Nonetheless, the outlook for global industrial manufacturing appears to remain positive. As in the past few years, the Group experiences interesting growth opportunities in major markets, particularly outside Europe, and continues to strengthen its product portfolio through substantial investments in R&D, sales and marketing. Carlo Gavazzi keeps focusing on geographical coverage by improving the effectiveness of the direct sales organization and by further developing the network of distributors and agents.

The complete Annual Report 2017/18 of the Carlo Gavazzi Group is available on: http://www.carlogavazzi.com/en/investors/annual-report.html

Consolidated key figures (CHF million)

Income Statement	**2017/18**	**2016/17**	%
Bookings	**153.6**	**137.7**	+11.5
Operating revenue	**146.9**	**135.4**	+8.5
EBITDA	**17.4**	**20.0**	-13.0
EBIT	**13.9**	**16.7**	-16.8
EBIT margin	**9.5%**	**12.4%**	
Net income	**8.4**	**13.4**	-37.3
Cash flow	**11.9**	**16.7**	-28.7
Balance Sheet (as at 31 March)	**2018**	**2017**	
Net working capital	**33.3**	**31.5**	+5.7
Shareholders' equity	**99.3**	**95.2**	+4.3
Total assets	**136.9**	**129.3**	+5.9
Equity as % of assets	**72.5%**	**73.6%**	

Pro forma comparison excluding arbitration income

Income statement	**2017/18**	**2016/17**	%
EBITDA	**17.4**	17.6	-1.1
EBIT	**13.9**	14.3	-2.8
Net income	**8.4**	11.0	-23.6
Cash flow	**11.9**	14.3	-16.8

About Carlo Gavazzi:
Carlo Gavazzi is a publicly listed international electronics group (SIX: GAV) with activities in the design and marketing of electronic control components for factory and building automation.

Please visit our website: www.carlogavazzi.com

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