Annual Report 2021/22

At a Glance
Five-Year Financial Summary

Five-Year Financial Summary

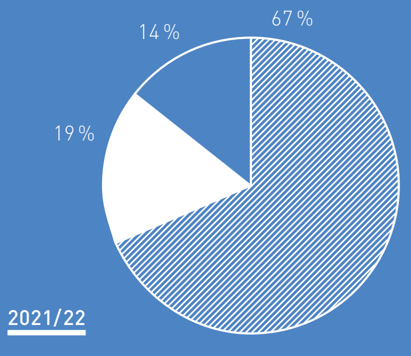
(CHF million)	**2021/22**	2020/21	2019/20	2018/19	2017/18
Bookings	**232.1**	156.6	153.0	155.2	153.6
Order backlog	**80.2**	34.3	28.2	25.6	26.1
Revenue from sale of goods	**183.4**	148.2	148.5	155.0	146.9
Gross profit	**98.6**	79.6	79.6	82.8	79.4
EBITDA	**36.9**	23.2	16.9	18.7	17.4
EBIT	**31.0**	17.3	10.8	15.2	13.9
Profit before income tax	**30.5**	16.4	10.1	15.1	12.9
Net profit for the year	**22.0**	12.1	6.1	10.7	8.4
Depreciation and amortization	**5.9**	5.9	6.1	3.5	3.5
Additions to property, plant and equipment and intangible assets	**2.6**	4.0	3.9	3.6	3.1
Additions to right-of-use assets	**1.7**	4.3	9.0	-	-
Trade receivables	**31.2**	27.3	26.7	29.0	29.8
Inventories	**34.0**	28.1	23.9	29.7	25.2
Net working capital	**32.4**	26.9	28.4	35.7	33.3
Current assets	**141.3**	125.0	102.8	112.6	113.5
Property, plant and equipment	**8.6**	9.8	9.5	10.7	11.1
Right-of-use-assets	**6.9**	8.4	6.3	-	-
Intangible assets	**8.6**	8.2	7.3	6.5	6.8
Net cash position	**66.8**	62.5	46.0	47.8	50.7
Current liabilities	**42.1**	35.7	28.5	29.0	29.5
Non-current liabilities	**10.8**	13.9	12.8	9.3	8.1
Total equity attributable to owners of Carlo Gavazzi Holding AG	**116.2**	106.2	90.3	97.5	99.3
Total liabilities and equity	**169.1**	155.7	131.6	135.8	136.9
ROE (Return on equity)	**19.0 %**	11.4 %	6.7 %	11.0 %	8.5 %
Number of employees (average)	**1 056**	1 033	1 088	1 126	1 078

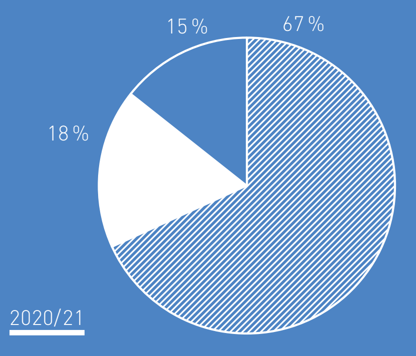
Alternative Performance Measures (APM)
Definitions for all APM are included on our website available at:
https://www.carlogavazzi.com/en/investors/alternative-performance-measures-apm.html

At a Glance

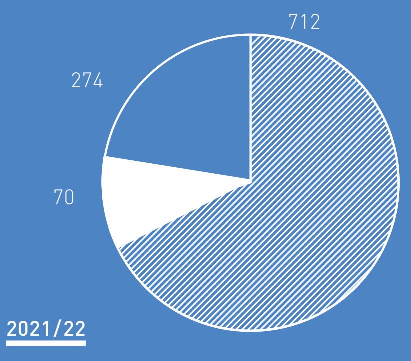
(CHF million)	2021/22	2020/21	%
Bookings	232.1	156.6	48.2
Revenue from sale of goods	183.4	148.2	23.8
EBITDA	36.9	23.2	59.1
EBIT	31.0	17.3	79.2
Net profit for the year	22.0	12.1	81.8
Total equity attributable to owners of Carlo Gavazzi Holding AG	116.2	106.2	9.4
ROE	19.0 %	11.4 %	–

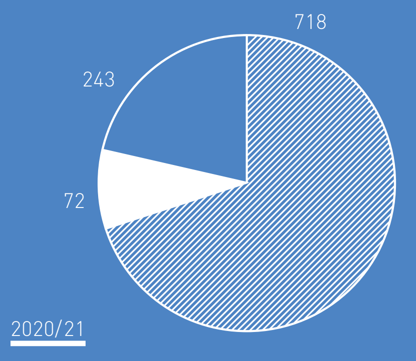
Revenue distribution by geographical region





Distribution of employees by geographical region





EMEA
AMERICAS
ASIA-PACIFIC

Annual Report 2021/22

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Corporate

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 2021/22, following recovery from the coronavirus pandemic (Covid-19) and its negative consequences for the global economy, Carlo Gavazzi achieved one of the best years in the Company's history with operating revenue, EBIT and net income growing by double digit rates. Revenue from sale of goods grew in line with the sharp increase in bookings and the Group's very sound financial position was once again strengthened.

On the back of solid sales in key markets and ongoing launches of new products, the Group's revenue from sale of goods increased by 23.2 % in local currency while bookings grew by 47.6 %. Revenue from sale of goods in Swiss Francs grew by 23.8 % to CHF 183.4 million (CHF 148.2 million in 2020/21) while bookings increased by 48.2 % to CHF 232.1 million (CHF 156.6 million in 2020/21), resulting in a book-to-bill ratio of 1.27 at March 31, 2022.

Gross profit increased by CHF 19.0 million to CHF 98.6 million (CHF 79.6 million in 2020/21) while the gross margin remained constant at 53.7 %. Thanks to continued cost control, operating expenses increased less proportionately than revenue from sale of goods from CHF 61.6 million in the previous year to CHF 67.7 million notwithstanding the continuing investments in R&D. In addition, the Group continued to invest during the year in the ongoing development of the new ERP system which went live for Europe in December 2021.

Operating profit (EBIT) increased to CHF 31.0 million, compared to CHF 17.3 million in the previous year (+79.2 % versus 2020/21). The EBIT margin increased 5.3 percentage points to 16.9 % (11.6 % in 2020/21). After considering financial expense of CHF 0.6 million and income taxes of CHF 8.4 million, the Group net profit for the year amounted to CHF 22.0 million (CHF 12.1 million in 2020/21), an increase of 81.8 %.

At March 31, 2022, the total equity attributable to owners of the Group stood at CHF 116.2 million (CHF 106.2 million in 2020/21), giving an equity ratio of 68.7 % (2020/21: 68.2 %) with a net cash position of CHF 66.8 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 dividend yield of 4.3 %.

Geographical markets

Revenue from sale of goods grew at a very high rate across all three geographical regions in local currency.

In Europe, sales and marketing activities in both building and industrial automation markets produced a robust growth of 24.7 % versus the previous year across the whole South, Central and Nordic countries region.

In the Americas, revenue from sale of goods increased by 26.2 % in local currency compared to the previous year, driven by very positive business developments with distributors mainly in the industrial automation markets.

Increasing demand for building automation products was the main driver for the 12.6 % year-on-year increase in sales in Asia-Pacific where growth in local currency was achieved throughout the entire area.

Concerning the geographical distribution of revenue, sales outside Europe reached 32.9 %, with the Americas and Asia-Pacific accounting for 18.8 % and 14.1 %, respectively.

Markets and products

Controls, the Group's largest product line, increased revenue from sale of goods by a strong 31.7 % above the previous year. In particular, energy management products grew by more than 48 % versus the previous year driven by the new emerging needs coming from the most innovative energy efficiency applications and also thanks to the introduction of a new series of energy analyzers for load balancing energy storage or electric vehicle (EV) charging applications. Furthermore, sales of monitoring relay products increased by more than 10 % due to the improved penetration and development into the distribution channels, particularly in the Americas region.

Sensors performed above the previous year. A positive contribution came from both capacitive and inductive sensors, where revenue from sale of goods increased by more than 17 % in respect of the previous year. Regarding capacitive sensors, the growth was primarily due to the IO Link family of products which guarantee high-performance and maximum flexibility. The growth in inductive sensors was mostly due to a new series which provides a robust solution for safety detection on mobile equipment increasing our presence in industrial markets.

Solid-state-relays achieved a remarkable growth in revenue from sale of goods (+33 % compared to the previous year) thanks to digital solid-state-relays developments in heating application where precise temperature control is crucial to guarantee the quality of the end product. Motor controls also increased at a strong rate reaching a growth of more than 11 % compared to last year. This performance was predominantly due to a new compact self-learning soft starter that provides customers with a more advanced product offering in the Heating, Ventilation and Air Condition (HVAC) market segment, primarily for Heat pumps and commercial refrigeration cabinet applications.

Priority markets performed once again better than the rest, with an increase in revenue from sale of goods of more than 42 % in Energy markets and more than 53 % in the Food and Beverage market.

Strategy

The Group's growth strategy is based on developing new and enhanced products to accelerate the penetration and development in specific global industries specifically around decarbonized applications. Furthermore, the Group is focused on continuous improvement of its business model, by embracing operational excellence and improving its agility to address critical post-

Covid-19 market expectations, including global supply chain and geopolitical constraints. The main initiatives include the re-allocation and duplication of production capabilities, the new global ERP system with enhanced supply chain capabilities, increased value-innovation in our product development including digital initiatives across the board.

Although challenges will persist world-wide in the foreseeable future, our ability to adapt to changing conditions while increasing our global presence will generate the continuing favorable outcome. Increased investment in selected markets will prove beneficial to our sales compound annual growth rates during the next three to five years term.

New leadership team – focus on expediting growth

After more than 12 years as Chairman, Valeria Gavazzi has decided not to stand for re-election as Director and Chairman to spend more time with her family who continues to firmly stand behind the majority stake of Carlo Gavazzi. The Board of Directors proposes to the Annual Shareholders Meeting Daniel Hirschi as Chairman, Stefano Premoli Trovati as Vice Chairman as well as Federico Foglia and current Group CEO Vittorio Rossi as Members of the Board of Directors. In addition, Yolanta de Cacqueray, former CFO Landis & Gyr Switzerland, is proposed as Member of the Board of Directors and representative of the bearer shareholders, replacing Daniel Hirschi in this function. Jean-Marc Theolier, President and CEO of Carlo Gavazzi Americas and Global Sales & Marketing Director, has been appointed as Group CEO, replacing Vittorio Rossi, who after having successfully driven Carlo Gavazzi as CEO for more than a decade will be joining the Board of Carlo Gavazzi Holding. In addition, as announced in April, Tobias Bissig will be replacing Anthony Goldstein as CFO of the Group by November 2022 at the latest.

With this new leadership team, we are convinced to combine continuity and new ideas in an ideal way. We thank Vittorio Rossi deeply for his successful work and wish the entire team all the best in their efforts to continue building a successful future for Carlo Gavazzi. Finally, we would like to thank our employees for their untiring commitment and our customers, business partners and shareholders for their loyalty to Carlo Gavazzi.

Valeria Gavazzi
Chairman

Anthony M. Goldstein
Chief Financial Officer

Review of Operations

Structure

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

Currencies

As the Group operates in more than 20 countries and generates 98.6 % 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 0.8 % against the Swiss Franc. The positive currency effect for the Group for the year in local currencies amounted to 0.5 % on bookings and operating revenue.

Bookings and backlog

Consolidated bookings increased by CHF 75.5 million or 48.2 % from CHF 156.6 million to CHF 232.1 million. Bookings exceeded operating revenue by CHF 48.7 million for a book-to-bill ratio of 1.27. Group order backlog at year-end amounted to CHF 80.2 million or 44.0 % of operating revenue, corresponding to revenue of five months.

Revenue and gross profit margin

Revenue from sale of goods increased by CHF 35.2 million or 23.8 % from CHF 148.2 million to CHF 183.4 million while the gross profit margin remained stable at 53.7 %.

Operating expenses

Thanks to continuing cost control, operating expenses increased less proportionately than revenue from sale of goods by CHF 6.2 million from CHF 61.6 million to CHF 67.7 million. Operating expenses consist of R&D and selling, general and administrative expenses (SG&A). R&D expenses decreased by CHF 0.3 million from CHF 8.1 million to CHF 7.8 million, whereas SG&A expenses increased by CHF 6.5 million from CHF 53.4 million to CHF 59.9 million. During the year, the Group invested a further CHF 2.5 million in the development of the new ERP system which went live for Europe in December 2021.

EBIT

EBIT increased by CHF 12.7 million or 79.2 % from CHF 17.3 million to CHF 31.0 million. As a percentage of operating revenue, EBIT amounted to 16.9 % compared with 11.7 % in the previous year.

Net financial income (expense) amounted to an expense of CHF 0.6 million for exchange losses of CHF 0.3 million and interest expense for lease liabilities of CHF 0.2 million under the IFRS 16 Accounting Standard. Income tax expense amounted to CHF 8.4 million.

Net profit for the year

Net profit for the year increased by CHF 9.9 million or 81.8 % from CHF 12.1 million to CHF 22.0 million resulting in earnings per bearer share of CHF 31.00, compared with CHF 16.96 in the previous year. Return on equity amounted to 19.0 % compared with 11.4 % in the previous year.

Balance sheet

Trade receivables increased by CHF 3.9 million from CHF 27.3 million to CHF 31.2 million, corresponding to a collection period of 60 days, compared with 59 days in the previous year. Inventories increased by CHF 5.9 million from CHF 28.1 million to CHF 34.0 million, corresponding to a turnover rate of 2.7. Net working capital increased by CHF 5.5 million from CHF 26.9 million to CHF 32.4 million. The net cash position during the year increased by CHF 4.3 million to reach CHF 66.8 million, compared with CHF 62.5 million in the previous year. Capital expenditure amounted to CHF 2.6 million, compared with CHF 4.0 million in the previous year.

Total equity attributable to owners of the Group increased from CHF 106.2 million to CHF 116.2 million or 68.7 % of total assets, after net income of CHF 22.0 million, a translation loss of CHF 4.2 million, dividend payments of CHF 8.5 million and actuarial gains on employee benefit obligations of CHF 0.7 million.

Reconciliation of APM

APM		2021/22		2020/21	
Definition		CHF million	Page	CHF million	Page
Book-to-bill ratio					
Bookings	A	232.1	Cover	156.6	Cover
Revenue from sale of goods	B	183.4	42	148.2	42
Book-to-bill ratio (A / B)		**1.27**	**7**	**1.06**	**7**
EBITDA					
EBIT	C	31.0	42	17.3	42
Depreciation and amortization	D	5.9	45	5.9	45
EBITDA (C + D)		**36.9**	**Cover**	**23.2**	**Cover**
Equity ratio					
Total equity attributable to owners of Carlo Gavazzi Holding AG	E	116.2	43	106.2	43
Total assets	F	169.1	43	155.7	43
Equity ratio (E / F)		**68.7 %**	**7**	**68.2 %**	**7**
Net cash position					
Cash and cash equivalents	G	66.8	43	62.5	43
Borrowings	H	0.0	43	0.0	43
Net cash position (G – H)		**66.8**	**Cover**	**62.5**	**Cover**
Net working capital (NWC)					
Total current assets	I	141.3	43	125.0	43
Cash and cash equivalents	J	66.8	43	62.5	43
Total current liabilities	K	42.1	43	35.7	43
Borrowings	L	0.0	43	0.0	43
NWC (I – J – K + L)		**32.4**	**Cover**	**26.9**	**Cover**
ROE (Return on equity)					
Net profit for the year	M	22.0	42	12.1	42
Total equity attributable to owners of Carlo Gavazzi Holding AG	N	116.2	43	106.2	43
Return on equity (M / N)		**19.0 %**	**Cover**	**11.4 %**	**Cover**

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.

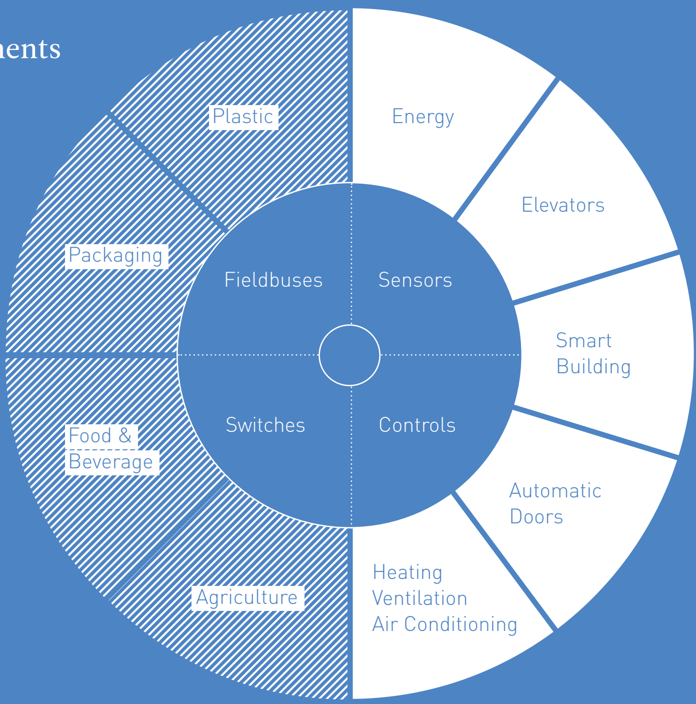
Our core activities

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 23 own sales companies and around 60 independent national distributors.

Our Strategy

Solution-packages for the vertical market segments

Priority Market Segments



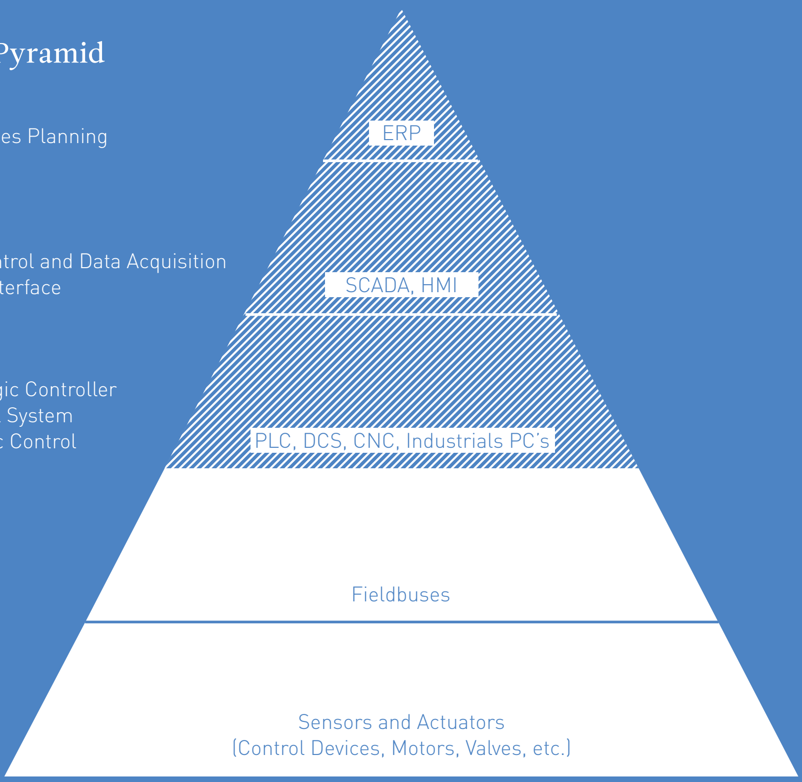
- INDUSTRIAL
- BUILDING
- PRODUCT LINES

The Automation Pyramid

ERP: Enterprise Resources Planning

SCADA: Supervisory, Control and Data Acquisition
HMI: Human-Machine Interface

PLC : Programmable Logic Controller
DCS : Distributed Control System
CNC: Computer Numeric Control



Management Level

Process Management

System Level

Data Highway

Field Level

- CORE BUSINESS

Global Presence

★ R&D AND MANUFACTURING CENTERS
● LOGISTIC CENTERS
▼ SALES AND MARKETING
✳ INDEPENDENT DISTRIBUTORS

1 — Americas

1 Logistic center
4 Sales companies
4 Area managers

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
5 Sales companies
5 Regional offices

Corporate Governance

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 18, 2021. 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 AG, 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:

Carlo Gavazzi Holding AG
Board of Directors, Steinhausen CH

Automation Components

R&D, Sourcing Companies
and National Sales Companies

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 198 288 090 as of March 31, 2022, respectively CHF 137 167 030 as of March 31, 2021). For details regarding non-listed companies, please refer to the Notes to the Consolidated Financial Statements of the Company, note 26 "Subsidiaries", where all consolidated subsidiaries of the Company are listed.

Major shareholders	% of voting rights March 31, 2022
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. 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 (voting shares) and 390 710 bearer shares with a par value of CHF 15 each (common shares), which are listed on the SIX Swiss Exchange. All shares, irrespective of their par value, carry one vote and each share is entitled to dividend payments, the amount of which is determined based on the par value of each such share. Further information on the shares issued by the Company is available at 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 (German only)). As of March 31, 2022 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 yearly reporting period that ended on March 31, 2022 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 bearer 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. In accordance with article 14 of the Articles of Association, the limitations on transferability of registered shares can be canceled by the AGM by absolute majority of the votes cast (the Articles of Association are available in German at 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.

www.carlogavazzi.com/files/media/files/
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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 2022

- 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, from 2015 until 2022

VICE-CHAIRMAN / NON-EXECUTIVE
STEFANO PREMOLI TROVATI
Born December 1, 1971
Italian national, Zug
First elected 2008,
elected until 2022

- Graduated in economics and corporate law, Cattolica University, Milan
- Postgraduate degree in tax law
- Managing Director of Barguzin Participation SA, Luxembourg, from 2009 until 2015
- Partner of the tax and law firm TFP & Partners since 2009
- Member of the Board of Ceresio SIM, Milan, Italy, from 2016 until 2022
- Member of the Board of Eurofin leading Fiduciaria SpA, Milan, Italy, from 2016 until 2022
- Member of the Board of Global Selection SGR, Milan, Italy, from 2017 until 2022
- Managing Director of Barguzin Participation AG, Zug, since 2022
- 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 2022

- 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 Simón I. Patiño Foundation, Geneva, Switzerland, since 2019

DIRECTOR / NON-EXECUTIVE

DANIEL HIRSCHI

Born March 19, 1956
Swiss national, Biel
First elected 2010,
elected until 2022

- 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 24 "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), 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.

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. 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 the overall management of the industrial and commercial activities of the Group and the conduct of the day-to-day business of the various companies belonging to the Group. 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 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 and held 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 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 2021/22, 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 2021/22, 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), 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 2021/22, 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). The SMB meets as often as business requires. In the reporting period, the SMB met eight times. On average, the meetings lasted for approximately half a day. The CFO of Automation Components attended all meetings. External consultants have been attending one meeting of the SMB during the reporting period.

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), 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 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) AD INTERIM
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 to February 2020 and since August 2020
- Member of the Board of Swisscanto Collective Foundation of the Cantonal Banks from 2014 until 2021
- Member of the Zurich Rental Conciliation Authority since 2014
- Elected as a member of the Zurich City Parliament in February 2022

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 of Hirzel.Neef.Schmid. Konsulenten AG, Zurich.
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.

The Group has a consultancy agreement with Hirzel. Neef.Schmid.Konsulenten AG. 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.

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), 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.

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 2021/22 compensation report included in the annual report 2021/22 (available at 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). 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.

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) 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 2021/22 amounted to CHF 523 000.
For additional services the Group paid PricewaterhouseCoopers the sum of CHF 110 000, representing CHF 45 000 for tax consulting services and CHF 65 000 for other additional services relating mainly to non-audit related coaching and supporting (tax, privacy matters, internal control) group subsidiaries.

Fees charged in 2021/22 by other audit companies for auditing certain subsidiaries amounted to CHF 124 000.

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 the 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.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 October 21, 2021 (ad hoc publicity), the Group publishes all information relevant to its share price. In compliance with the Directive on Ad hoc Publicity dated March 10, 2021, 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). 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.

The financial calendar for the financial year 2022/23 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.

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Switzerland

Corporate Headquarters:
Carlo Gavazzi Holding AG
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Switzerland
www.carlogavazzi.com

10. Restricted periods

Subject to different ordinary restricted periods being defined by the Chairman of the Board of Directors in coordination with the CEO and the CFO, the ordinary restricted periods start 30 calendar days prior to the public release of the relevant annual and interim results of the Group and end at the close of trading on the first trading day following the release of such results. For the financial year 2021/2022, the ordinary restricted periods were from October 26, 2021 until (and including) November 25, 2021 and from May 24, 2022 until (and including) June 23, 2022.

Addressees of the ordinary restricted periods are, on the one hand, the members of the Board of Directors, the Secretary to the Board of Directors as well as the CEO, the CFO and any other members of the Executive Management (if any). On the other hand, the ordinary restricted periods also apply to the members of the controlling and the internal revision (if any), all persons subordinated to the CFO and to the CFO of Automation Components, to first line management and to employees of the headquarters.

Ad-hoc restricted periods may be introduced by the CEO, in coordination with the Chairman of the Board of Directors and the CFO, where the CEO considers it necessary or appropriate, including where insider information exists.

11. Material changes since the balance sheet date

As announced by the Company on April 27, 2022, the Board of Directors has appointed Tobias Bissig, 1980, Swiss citizen, as new CFO. He will assume the CFO position on November 1, 2022 at the latest and will replace Anthony M. Goldstein. Anthony M. Goldstein will remain with the Group during a transition period in order to assure a smooth handover.

At its meeting of June 22, 2022, the Board of Directors resolved to appoint Jean-Marc Theolier, President and CEO of Carlo Gavazzi Americas and Global Sales & Marketing Director, as new CEO of the Group. He will assume his position on July 26, 2022 and will replace Vittorio Rossi.

At the same meeting of June 22, 2022, Valeria Gavazzi informed the Board of Directors that she will not stand for re-election as Chairman and member of the Board of Directors at the AGM of 2022. Against this background, the Board of Directors resolved to propose, besides the re-election of current directors Stefano Premoli Trovati and Federico Foglia, the following new elections at the next AGM:

- Daniel Hirschi as Chairman of the Board of Directors;
- Vittorio Rossi as member of the Board of Directors; and
- Yolanta de Cacqueray as member of the Board of Directors and bearer shareholders' representative.

Compensation Report

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 2021/22 and 2020/21.

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 or via the QR code on page 19), 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 or via the QR code on page 19).

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 Caps peer companies classified in the Industry Classification Benchmark (ICB) sector 2730 for Electronic and Electrical Equipment industrial companies. The peer group was reviewed in 2020 and consists of: ELMA, Sensirion, Schaffner, Cicor, von Roll and Phoenix Mecano.

During the financial year 2021/22, no 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 Audit Committee and the Compensation Committee. For their service in the Strategic Management Board (SMB), the members receive a fixed annual fee. For participation in other ad hoc meetings, members of the Board of Directors are additionally remunerated with a daily fee prorated on an eight hours' working day, plus expenses. The compensation may comprise 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 2021/22 and 2020/21 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. In addition to the fixed base salary and the variable compensation, for the financial year 2021/22, the CEO of Automation Components was granted a one-time special bonus in recognition of his efforts and achievements in guiding the Group very successfully through the challenges faced by the Group in the last two Covid-19 years.

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. In the financial year 2021/22 the variable compensation amounted to approximately 15 % of his base salary (2020/21: approximately 10 %).

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

2021/22 (in CHF 1 000)	Valeria Gavazzi Chairman*	Stefano Premoli Trovati Vice-Chairman	Federico Foglia Member	Daniel Hirschi Member	Total
Board fee, gross	–	154	67	173	394
Employer's contribution to social security	–	13	5	16	34
Other compensation	–	4	–	21	25
Total	–	**171**	**72**	**210**	**453**

2020/21 (in CHF 1 000)	Valeria Gavazzi Chairman*	Stefano Premoli Trovati Vice-Chairman	Federico Foglia Member	Daniel Hirschi Member	Total
Board fee, gross	–	95	72	180	347
Employer's contribution to social security	–	8	6	16	30
Other compensation	–	4	–	20	24
Total	–	**107**	**78**	**216**	**401**

(*) The Chairman of the Board of Directors has renounced receipt of all Board compensation.
The change in the compensation of the Board of Directors between the financial years 2021/22 and 2020/21 results from higher board fees for Stefano Premoli Trovati and Daniel Hirschi in the financial year 2021/22 compared to the financial year 2020/21 due to the institution of a fixed annual fee for attending meetings of the Strategic Management Board (SMB).

During the year, the Group received advisory services from the consulting company of Stefano Premoli Trovati for a total of CHF 75 (2020/21: CHF 75). In addition, Stefano Premoli Trovati received board fees from subsidiary companies of CHF 24 (2020/21: CHF 27).

Compensation to members of Executive Management

2021/22 (in CHF 1 000)	Vittorio Rossi CEO ACBU	Lorenzo Trezzini Former CFO	Anthony M. Goldstein CFO	Total Group Management
Base salaries (fixed), gross	433	–	190	623
Bonus (variable), gross	234	–	30	264
Bonus, gross (one-off special award)	256	–	–	256
Employer's contribution to social security	301	–	18	319
Other compensation	4	–	12	16
Total	**1 228**	–	**250**	**1 478**

2020/21 (in CHF 1 000)	Vittorio Rossi CEO ACBU	Lorenzo Trezzini CFO	Anthony M Goldstein Former CFO	Total Group Management
Base salaries (fixed), gross	436	101	190	727
Bonus (variable), gross	130	–	20	150
Employer's contribution to social security	192	19	17	228
Other compensation	5	8	12	25
Total	**763**	**128**	**239**	**1 130**

In 2020/21, the compensation of the Executive Management included the compensation for the former CFO Lorenzo Trezzini as Member of the Executive Management until July 31, 2020 (four months) plus a one-month notice period until August 31, 2020 as well as the compensation (for the full year) for the current CFO Anthony M. Goldstein who replaced Lorenzo Trezzini as CFO ad interim as of August 1, 2020.

The change in compensation of the Executive Management between financial years 2021/22 and 2020/21 results from overall higher bonus payments (paid to the CEO and CFO) in the financial year 2021/22 due to increased achievements of the performance targets used to determine the variable compensation as well as the one-time special bonus granted to Vittorio Rossi, CEO ACBU.
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 or via the QR code on page 19).

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, 2022 and 2021, 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 2021/22 and 2020/21, respectively.

In 2020/21, Lorenzo Trezzini, former CFO, received a total compensation amounting to CHF 128 (including base salary, employer's contribution to social security as well as other expenses) for work performed during the period April 1, 2020 until July 31, 2020 plus a one-month notice period until August 31, 2020.

Compensation to related parties

Compensation to any related parties during the financial years 2021/22 and 2020/21, respectively, was market compliant.

Details on related party transactions can be viewed in note 25 to the Consolidated Financial Statements of the Company.

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 2022. 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 the 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 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 2022 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Thomas Illi	Daniel Wyss
Audit expert Auditor in charge	Audit expert

Zug, 22 June 2022

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Consolidated Financial Statements

for the years ended March 31, 2022 and 2021

Statements of Comprehensive Income

for the years ended March 31

(in CHF 1 000)	Notes	2022	2021
Continuing operations			
Revenue from sale of goods		183 389	148 192
Cost of goods sold		(84 837)	(68 591)
Gross profit		**98 552**	**79 601**
Research & development expense		(7 833)	(8 124)
Selling, general and administrative expense		(59 879)	(53 429)
Other operating income (expense), net	7	208	(790)
Operating profit (EBIT)		**31 048**	**17 258**
Financial income	8	34	23
Financial expense	8	(625)	(837)
Profit before income tax		**30 457**	**16 444**
Income tax expense	20	(8 421)	(4 388)
Net profit for the year		**22 036**	**12 056**
Other comprehensive income			
Actuarial gains (losses) on employee benefit obligations	18	877	525
Tax impact on actuarial gains (losses) on employee benefit obligations		(130)	(66)
Total items that will not be reclassified to profit or loss		**747**	**459**
Exchange difference on translation of foreign operations		(4 269)	3 346
Total items that may be reclassified subsequently to profit or loss		**(4 269)**	**3 346**
Total other comprehensive income for the year, net of tax		**(3 522)**	**3 805**
Total comprehensive income for the year		**18 514**	**15 861**
Net profit attributable to owners of Carlo Gavazzi Holding AG		22 036	12 056
Comprehensive income attributable to owners of Carlo Gavazzi Holding AG		18 514	15 861
Earnings per share from net profit of continuing operations for the year attributable to owners of Carlo Gavazzi Holding AG (in CHF per share)			
Basic and diluted earnings per share of continuing operations:			
- registered shares	9	6.20	3.39
- bearer shares	9	31.00	16.96

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

Balance Sheets

(in CHF 1 000)	Notes	as of March 31 2022	as of March 31 2021
Assets			
Current assets			
Cash and cash equivalents		66 775	62 466
Trade receivables	11	31 203	27 341
Other receivables	12	9 376	7 148
Inventories	13	33 954	28 080
Total current assets		**141 308**	**125 035**
Non-current assets			
Property, plant and equipment	14	8 585	9 816
Right-of-use assets	2.11	6 939	8 402
Intangible assets	15	8 562	8 202
Other receivables	12	564	544
Deferred income tax assets	20	3 159	3 747
Total non-current assets		**27 809**	**30 711**
Total assets		**169 117**	**155 746**
Liabilities and equity			
Current liabilities			
Trade payables		15 728	11 751
Other payables	16	20 522	19 392
Lease liabilities	2.11, 17	2 410	2 577
Current income tax liabilities		3 458	1 943
Total current liabilities		**42 118**	**35 663**
Non-current liabilities			
Other payables	16	745	230
Lease liabilities	2.11, 17	4 678	5 935
Employee benefit obligations	18	4 783	7 071
Other provisions	19	409	436
Deferred income tax liabilities	20	189	202
Total non-current liabilities		**10 804**	**13 874**
Total liabilities		**52 922**	**49 537**
Equity			
Share capital	21	10 661	10 661
Capital reserves		600	600
Other reserves	22	(27 948)	(24 426)
Retained earnings		132 882	119 374
Total equity attributable to owners of Carlo Gavazzi Holding AG		**116 195**	**106 209**
Total liabilities and equity		**169 117**	**155 746**

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 April 1, 2020		**10 661**	**600**	**(28 231)**	**107 318**	**90 348**
Net profit for the year		**-**	**-**	**-**	**12 056**	**12 056**
Actuarial gains (losses) on employee benefit obligations, net of tax		-	-	459	-	459
Exchange difference on translation of foreign operations		-	-	3 346	-	3 346
Other comprehensive income for the year		**-**	**-**	**3 805**	**-**	**3 805**
Total comprehensive income for the year		**-**	**-**	**3 805**	**12 056**	**15 861**
Dividends	10	-	-	-	-	-
Total transactions with owners		**-**	**-**	**-**	**-**	**-**
Equity at March 31, 2021		**10 661**	**600**	**(24 426)**	**119 374**	**106 209**
Net profit for the year		**-**	**-**	**-**	**22 036**	**22 036**
Actuarial gains (losses) on employee benefit obligations, net of tax		-	-	747	-	747
Exchange difference on translation of foreign operations		-	-	(4 269)	-	(4 269)
Other comprehensive income for the year		**-**	**-**	**(3 522)**	**-**	**(3 522)**
Total comprehensive income for the year		**-**	**-**	**(3 522)**	**22 036**	**18 514**
Dividends	10	-	-	-	(8 528)	(8 528)
Total transactions with owners		**-**	**-**	**-**	**(8 528)**	**(8 528)**
Equity at March 31, 2022		**10 661**	**600**	**(27 948)**	**132 882**	**116 195**

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	2022	2021
Cash flow from operating activities			
Profit for the year		**22 036**	**12 056**
Income taxes	20	8 421	4 388
Depreciation and amortization		5 858	5 909
Loss (gain) on disposal of property, plant and equipment	7	(62)	(48)
Changes in other non-cash items		(346)	892
Changes in working capital:			
- Change in trade receivables and other receivables		(8 335)	(1 569)
- Change in inventories		(7 474)	(3 147)
- Change in trade payables and other payables		7 236	7 221
Interest received		18	11
Interest paid		(252)	(198)
Income taxes paid		(6 694)	(4 392)
Cash flow from operating activities		**20 406**	**21 123**
Cash flow from investing activities			
Purchases of property, plant and equipment	14	(2 403)	(3 131)
Purchases of intangible assets	15	(185)	(825)
Proceeds from disposal of property, plant and equipment		213	91
Cash flow from investing activities		**(2 375)**	**(3 865)**
Cash flow from financing activities			
Dividends paid	10	(8 528)	-
Principal elements of lease payments	2.11, 17	(2 592)	(2 488)
Repayment of borrowings		-	(1 385)
Cash flow from financing activities		**(11 120)**	**(3 873)**
Change in cash and cash equivalents		**6 911**	**13 385**
Cash and cash equivalents at the beginning of the year		62 466	47 462
Effects of exchange rate changes on cash and cash equivalents		(2 602)	1 619
Cash and cash equivalents at the end of the year		**66 775**	**62 466**

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) and, accordingly, all amounts have been rounded off to the nearest thousand Swiss Francs unless otherwise stated.

These audited consolidated financial statements were approved for publication by the Board of Directors on June 22, 2022, and will be recommended for approval at the Annual General Meeting to be held on July 26, 2022.

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 International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The Group's consolidated financial statements have been prepared on a historical cost basis.

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 did not apply any new or amended standards which had any significant impact on the consolidated financial statements.

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, 2022 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.

2.3 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	31.03.2022	31.03.2021
BRL	100	19.48	16.79
CAD	1	0.74	0.75
CNY	100	14.56	14.43
DKK	100	13.76	14.91
EUR	1	1.02	1.11
GBP	1	1.21	1.30
HKD	100	11.79	12.17
MYR	100	21.95	22.81
NOK	100	10.55	11.05
SEK	100	9.89	10.83
SGD	1	0.68	0.70
USD	1	0.92	0.95

Average rates – comprehensive income statement

Currency	Unit	01.04.2021 – 31.03.2022	01.04.2020 – 31.03.2021
BRL	100	17.24	17.09
CAD	1	0.73	0.70
CNY	100	14.32	13.63
DKK	100	14.36	14.45
EUR	1	1.07	1.08
GBP	1	1.26	1.21
HKD	100	11.76	11.91
MYR	100	22.01	22.12
NOK	100	10.59	10.08
SEK	100	10.44	10.40
SGD	1	0.68	0.68
USD	1	0.92	0.92

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.

2.8.3 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 12 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 Leases

Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets

(in CHF 1 000)	2022	2021
Buildings	6 092	7 308
Machinery and equipment	92	144
Motor vehicles	668	768
IT equipment	87	182
Total	**6 939**	**8 402**
Lease liabilities		
- Current	2 410	2 577
- Non-current	4 678	5 935
Total	**7 088**	**8 512**

Additions to the right-of-use assets during the 2021/22 financial year were CHF 1 688 (2020/21: CHF 4 312).

The income statement shows the following amounts relating to leases:

Depreciation charge of right-of-use assets

(in CHF 1 000)	2021/22	2020/21
Buildings	2 060	1 949
Machinery and equipment	63	60
Motor vehicles	422	428
IT equipment	83	81
Total	**2 628**	**2 518**
Interest expense (included in financial expense)	**171**	**161**

The total cash outflow for leases in the 2021/22 financial year was CHF 2 592 (2020/21: 2 488).

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 ten 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.

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 payments 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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Group neither revalues its land and buildings within property, plant and equipment nor its buildings within right-of-use assets.

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.

2.12 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 licenses 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 licenses are amortized using the straight-line method over their useful economic lives of three to five years, from the point at which the asset is ready for use.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Note 23 provides further information on how the Group accounts for government grants.

2.25 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)	2022	2021
Loans and receivables		
Cash and cash equivalents	66 775	62 466
Trade receivables	31 203	27 341
Other receivables	8 207	6 124
Total	**106 185**	**95 931**

Financial liabilities

(in CHF 1 000)	2021	2020
Other financial liabilities		
Trade payables	15 728	11 751
Other payables	21 267	19 622
Leases	7 161	8 925
Total	**44 156**	**40 298**

No additional disclosures of fair value are presented because carrying value is a reasonable approximation of fair value.

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 334 (2021: CHF 3 530). 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 33 (2021: CHF 353) 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, 2022 (in CHF 1 000)	up to 1 year	between 2–3 years	between 4–5 years	more than 5 years	Total
Trade payables	15 728	–	–	–	15 728
Other payables	20 522	83	–	662	21 267
Leases	2 473	3 105	1 329	254	7 161
Total	**38 723**	**3 188**	**1 329**	**916**	**44 156**

as at March 31, 2021 (in CHF 1 000)	up to 1 year	between 2–3 years	between 4–5 years	more than 5 years	Total
Trade payables	11 751	–	–	–	11 751
Other payables	19 392	230	–	–	19 622
Leases	2 807	3 674	1 870	574	8 925
Total	**33 950**	**3 904**	**1 870**	**574**	**40 298**

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, 2022, equity represented 68.7 % of total assets (2021: 68.2 %).

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.

Covid-19 and the Russia-Ukraine war

Management has been closely monitoring the effects if any of Covid-19 pandemic impacts and of the Russia-Ukraine war on the Group's financial position and performance. The Group's profitability has neither been negatively impacted by the Covid-19 pandemic nor the Russia-Ukraine war.

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)	2021/22	2020/21
Operating profit (EBIT)		
– Automation Components	32 133	20 014
– Reconciling items	(1 085)	(2 756)
Total operating profit (EBIT)	**31 048**	**17 258**
Financial income (expense), net	(591)	(814)
Profit before income tax	**30 457**	**16 444**

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

(in CHF 1 000)	2022	2021
Assets		
– Automation Components	146 620	133 000
– Reconciling items	22 497	22 746
Total assets	**169 117**	**155 746**
Liabilities		
– Automation Components	50 384	46 286
– Reconciling items	2 538	3 251
Total liabilities	**52 922**	**49 537**

Geographical information

Revenue from sale of goods by customer location

(in CHF 1 000)	2021/22	2020/21
Switzerland	2 438	1 989
Italy	15 821	14 115
Germany	20 327	14 835
Other EMEA	84 537	68 210
Total EMEA	**123 123**	**99 149**
USA	24 427	19 105
Other North America	10 107	7 926
Total North America	**34 534**	**27 031**
China	19 156	16 077
Other Asia	6 576	5 935
Total Asia	**25 732**	**22 012**
Total Group	**183 389**	**148 192**

Property, plant and equipment, right-of-use assets and intangible assets by location of assets

(in CHF 1 000)	2022	2021
Switzerland	1 933	1 907
Italy	5 862	8 547
Germany	446	649
Other EMEA	11 059	10 354
Total EMEA	**19 300**	**21 457**
USA	609	760
Other North America	209	212
Total North America	**818**	**972**
China	3 725	3 636
Other Asia	243	355
Total Asia	**3 968**	**3 991**
Total Group	**24 086**	**26 420**

Revenues from external customers

The Group's revenues are split into product groups determined as Controls 43 % (2020/21: 40 %), Sensors 23 % (2020/21: 26 %), Switches 34 % (2020/21: 33 %) and Other 0 % (2020/21: 1 %). 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)	2021/22	2020/21
Wages and salaries	44 238	40 880
Post-employment benefit cost	1 163	1 359
Other social security cost	6 392	7 058
Other expenses	708	629
Termination benefit	–	19
Total	**52 501**	**49 945**

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

Employee benefit expense is stated after deducting government grants received for wage subsidies and short-time work compensation as shown in note 23.

7. Other operating income and expense

(in CHF 1 000)	2021/22	2020/21
Other operating income		
Gain on sale of property, plant and equipment	62	48
Gain on disposal of P&T business	189	–
Reversal of provisions	204	–
Other	143	190
Total other operating income	**598**	**238**
Other operating expense		
Loss on disposal of property, plant and equipment	–	(2)
Personnel indemnity cost	(144)	(970)
Other	(246)	(56)
Total other operating expense	**(390)**	**(1.028)**
Total other operating income (expense), net	**208**	**(790)**

8. Financial income and expense

(in CHF 1 000)	2021/22	2020/21
Financial income		
Interest income from financial assets	34	23
Total financial income	**34**	**23**
Financial expense		
Interest expense and finance charges	(117)	(70)
Interest expense for lease liabilities	(171)	(161)
Net foreign exchange loss	(337)	(606)
Total financial expense	**(625)**	**(837)**
Total financial income (expense), net	**(591)**	**(814)**

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)	2021/22	2020/21
Net profit attributable to owners of Carlo Gavazzi Holding AG	**22.036**	**12.056**
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	9 923	5 429
Average number of shares outstanding	1 600 000	1 600 000
Basic and diluted earnings per registered share (CHF)	**6.20**	**3.39**
Bearer shares		
Net profit attributable to bearer shareholders	12 113	6 627
Average number of shares outstanding	390 710	390 710
Basic and diluted earnings per bearer share (CHF)	**31.00**	**16.96**

10. Dividends paid and proposed

Carlo Gavazzi Holding AG pays one dividend per financial year. The Annual General Meeting held on July 27, 2021, resolved to distribute a dividend for the financial year 2020/21, with value August 2, 2021, as follows (in CHF):

Ordinary dividend per registered share	CHF	2.40
Ordinary dividend per bearer share	CHF	12.00
Total ordinary dividend paid	**CHF 1 000**	**8 528**

At the Annual General Meeting to be held on July 26, 2022, payment of the following dividend for 2021/22 will be proposed:

Dividend per registered share	CHF	2.40
Dividend per bearer share	CHF	12.00
Proposed dividend	**CHF 1 000**	**8 528**

11. Trade receivables

(in CHF 1 000)	2022	2021
Trade receivables	31 842	28 076
Less provision for receivables	(639)	(735)
Total	**31 203**	**27 341**

Movements in the provision for impairment of receivables

(in CHF 1 000)	2021/22	2020/21
Balance at April 1	**(735)**	**(796)**
Utilization of provision	94	91
Reversal of unused provision	1	29
Increase in provision	(51)	(29)
Foreign exchange effect	52	(30)
Balance at March 31	**(639)**	**(735)**

Ageing analysis of trade receivables (in CHF 1 000)

as at March 31, 2022	Total	Not impaired
Not overdue	26 483	26 483
Less than 1 month overdue	3 358	3 336
Between 1–3 months overdue	1 185	1 082
Between 3–6 months overdue	534	474
Between 6–12 months overdue	98	72
More than 12 months overdue	184	27
Total	**31 842**	**31 474**

as at March 31, 2021	Total	Not impaired
Not overdue	23 995	23 995
Less than 1 month overdue	2 745	2 723
Between 1–3 months overdue	610	598
Between 3–6 months overdue	284	244
Between 6–12 months overdue	97	97
More than 12 months overdue	345	19
Total	**28 076**	**27 676**

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

(in CHF 1 000)	2022	2021
EUR	15 267	13 155
USD	4 136	3 270
CNY	2 926	3 716
SEK	3 126	2 458
DKK	1 619	1 318
NOK	960	841
CAD	1 124	895
GBP	834	808
Other	1 211	880
Total	**31 203**	**27 341**

12. Other receivables

(in CHF 1 000)	2022	2021
Current		
VAT and other tax receivables	7 219	4 957
Advances to suppliers	318	228
Receivables from suppliers	280	531
Receivables from governments	–	302
Other receivables	390	106
Prepaid expense	1 169	1 024
Total current	**9 376**	**7 148**
Non-current		
Deposits for deferred employee compensation	200	123
Deposits for rental contracts	347	400
Other receivables	17	21
Total non-current	**564**	**544**
Total other receivables	**9 940**	**7 692**

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

(in CHF 1 000)	2022	2021
EUR	8 282	5 503
USD	492	1 032
CNY	493	477
Other	673	680
Total	**9 940**	**7 692**

All non-current receivables are due within five years from the end of the reporting period. No impairments were recognized on other receivables in 2021/22 (2020/21: nil).

13. Inventories

(in CHF 1 000)	2022	2021
Raw materials and supplies	15 737	11 066
Work in progress	3 827	3 615
Finished goods	17 512	17 302
Inventories, gross	**37 076**	**31 983**
Less allowance for valuation	(3 122)	(3 903)
Total	**33 954**	**28 080**

The cost of inventories recognized as expense and included in cost of goods sold in 2021/22 amounted to CHF 84 934 (2020/21: CHF 68 349).

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
Historical cost									
Balance at April 1, 2020	86	1 178	5 710	9	32 439	3 214	2 246	4 855	49 737
Additions	–	–	875	4	1 621	106	260	265	3 131
Disposals	–	–	(37)	–	(2 421)	(150)	(235)	(95)	(2 938)
Currency translation differences	4	53	290	–	1 538	148	117	260	2 410
Reclassifications	–	–	–	–	–	–	–	–	–
Balance at March 31, 2021	**90**	**1 231**	**6 838**	**13**	**33 177**	**3 318**	**2 388**	**5 285**	**52 340**
Additions	–	–	232		1 473	138	219	341	2 403
Disposals	–	–	(412)	–	(5 267)	(798)	(292)	(810)	(7 579)
Currency translation differences	(7)	(94)	(361)	(1)	(1 743)	(164)	(142)	(315)	(2 827)
Reclassifications	–	–	–	(4)	4	(102)	–	102	–
Balance at March 31, 2022	**83**	**1 137**	**6 297**	**8**	**27 644**	**2 392**	**2 173**	**4 603**	**44 337**
Accumulated depreciation									
Balance at April 1, 2020	–	(634)	(4 517)	–	(26 458)	(2 831)	(1 459)	(4 311)	(40 210)
Annual depreciation	–	(24)	(333)	–	(2 140)	(134)	(325)	(319)	(3 275)
Depreciation on disposals	–	–	37	–	2 418	150	208	90	2 903
Currency translation differences	–	(29)	(212)	–	(1 255)	(129)	(79)	(238)	(1 942)
Reclassifications	–	–	–	–	–	–	–	–	–
Balance at March 31, 2021	–	**(687)**	**(5 025)**	–	**(27 435)**	**(2 944)**	**(1 655)**	**(4 778)**	**(42 524)**
Annual depreciation	–	(23)	(308)		(1 984)	(131)	(311)	(256)	(3 013)
Depreciation on disposals	–	–	412		5 152	798	252	807	7 421
Currency translation differences	–	53	271		1 514	143	100	283	2 364
Reclassifications	–	–	–	–	–	102	–	(102)	–
Balance at March 31, 2022	–	**(657)**	**(4 650)**	–	**(22 753)**	**(2 032)**	**(1 614)**	**(4 046)**	**(35 752)**
Net book value									
at March 31, 2021	90	544	1 813	13	5 742	374	733	507	9 816
at March 31, 2022	83	480	1 647	8	4 891	360	559	557	8 585

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
Historical cost			
Balance at April 1, 2020	6 189	3 122	9 311
Additions	–	825	825
Disposals	–	(79)	(79)
Currency translation differences	149	96	245
Balance at March 31, 2021	**6 338**	**3 964**	**10 302**
Additions	–	185	185
Disposals	–	(132)	(132)
Currency translation differences	394	(143)	251
Balance at March 31, 2022	**6 732**	**3 874**	**10 606**
Accumulated amortization			
Balance at April 1, 2020	–	(1 965)	(1 965)
Annual amortization	–	(116)	(116)
Amortization on disposals	–	71	71
Currency translation differences	–	(90)	(90)
Balance at March 31, 2021	–	**(2 100)**	**(2 100)**
Annual amortization	–	(217)	(217)
Amortization on disposals	–	132	132
Currency translation differences	–	141	141
Balance at March 31, 2022	–	**(2 044)**	**(2 044)**
Net book value			
at March 31, 2021	6 338	1 864	8 202
at March 31, 2022	6 732	1 830	8 562

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, 2022 and March 31, 2021 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, 2022 and March 31, 2021. 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 2024/25 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 8.08% at March 31, 2022, and 7.85% at March 31, 2021. 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)	2022	2021
Current		
VAT payable	2 953	2 621
Payables to employees	791	467
Payables for social security, pensions and other employee costs	647	759
Payables for ERP project	–	561
Insurance	37	–
Other payables	509	303
Advances from customers	320	171
Accrued warranty costs	315	318
Accrued personnel expense	11 179	11 736
Accrued ERP consultants	1 376	206
Accrued consultants	834	918
Other accrued expense	1 561	1 332
Total current	**20 522**	**19 392**
Non-current		
Other payables	548	106
Accrued personnel expense	197	124
Total non-current	**745**	**230**
Total other payables	**21 267**	**19 622**

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)	2022	2021
Current		
Cash and cash equivalents	66 775	62 466
Lease liabilities	(2 410)	(2 577)
Net current cash (debt)	**64 365**	**59 889**
Non-current		
Lease liabilities	(4 678)	(5 935)
Net non-current cash (debt)	**(4 678)**	**(5 935)**
Net cash (debt)	**59 687**	**53 954**

	Liabilities from financing activities			Other assets	
(in CHF 1 000)	Borrowings	Leases	Sub-total	Cash	Total
Net cash (debt) at April 1, 2020	**(1 447)**	**(6 348)**	**(7 795)**	**47 462**	**39 667**
Cash flows	1 385	2 488	3 873	13 385	17 258
Acquisition – leases	–	(4 652)	(4 652)	–	(4 652)
Foreign exchange adjustments	62	–	62	1 619	1 681
Net cash (debt) at March 31, 2021	–	**(8 512)**	**(8 512)**	**62 466**	**53 954**
Cash flows	–	2 592	2 592	6 911	9 503
Acquisition – leases	–	(1 168)	(1 168)	–	(1 168)
Foreign exchange adjustments	–	–	–	(2 602)	(2 602)
Net cash (debt) at March 31, 2022	–	**(7 088)**	**(7 088)**	**66 775**	**59 687**

18. Employee benefit obligations

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

(in CHF 1 000)	2022	2021
Present value of funded obligations	7 595	8 203
Fair value of plan assets	(6 394)	(6 118)
Underfunding	**1 201**	**2 085**
Present value of unfunded obligations	3 582	4 986
Total	**4 783**	**7 071**

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

(in CHF 1 000)	2021/22	2020/21
Balance at April 1	**13 189**	**12 345**
Current service cost	427	508
Contributions from plan participants	61	69
Interest cost	90	121
Actuarial losses (gains)	(672)	38
Benefits paid	(1 061)	(367)
Past service cost	(23)	–
Settlements and curtailments	(468)	–
Exchange differences	(410)	475
Balance at March 31	**11 133**	**13 189**

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

(in CHF 1 000)	2021/22	2020/21
Balance at April 1	**6 118**	**5 338**
Contributions from employer	195	167
Contributions from plan participants	61	69
Interest income	28	30
Actuarial gains (losses)	208	562
Benefits paid	(156)	(194)
Change due to plan combinations	(14)	–
Administrative expense	(2)	(2)
Exchange differences	(44)	148
Balance at March 31	**6 394**	**6 118**

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)	2021/22	2020/21
Defined benefit plans	465	603
Defined contribution plans	1 163	1 359
Total	**1 628**	**1 962**

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

(in CHF 1 000)	2021/22	2020/21
Defined benefit plans		
Current service cost	427	508
Interest cost	90	121
Return on plan assets (expected)	(28)	(30)
Administrative expense	2	2
Past service cost	(23)	–
Amortization of net gain (loss)	(3)	2
Curtailment loss (gain) recognized	–	–
Total defined benefit plans	**465**	**603**
Defined contribution plans		
Employer contributions	1 163	1 359
Total defined contribution plans	**1 163**	**1 359**
Total	**1 628**	**1 962**

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

(in CHF 1 000)	2021/22	2020/21
Actuarial gains (losses)		
– arising from changes in demographic assumptions	–	284
– arising from changes in financial assumptions	980	(362)
– arising from plan experience	(310)	42
– arising from revaluation of assets	208	575
– Return on plan assets (excluding amounts in net interest)	(1)	(14)
Total	**877**	**525**

During the next financial year, the Group expects employer contributions to defined benefit plans to amount to CHF 221.

The weighted average duration of the defined benefit obligation is 13.4 years (2021: 13.7 years).

The principal actuarial assumptions are as follows:

	2021/22	2020/21
Switzerland		
Discount rate	1.20 %	0.25 %
Inflation rate	0.75 %	0.50 %
Future salary increases	1.25 %	1.25 %
Future pension increases	0.00 %	0.00 %
Norway		
Discount rate	2.58 %	2.08 %
Inflation rate	0.00 %	0.00 %
Future salary increases	2.75 %	2.25 %
Future pension increases	2.50 %	2.00 %

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	(180)	185
Inflation rate	18	(32)
Future salary increases	51	(89)
Future pension increases	109	(54)

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 2020 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:

	2022	2021
Switzerland		
Cash and cash equivalents	0.60 %	1.50 %
Equity instruments	33.60 %	35.60 %
Debt instruments	24.30 %	24.00 %
Property	25.50 %	23.60 %
Other	16.00 %	15.30 %
Total	**100.00 %**	**100.00 %**
Norway		
Cash and cash equivalents	0.00 %	0.00 %
Equity instruments	10.30 %	8.30 %
Debt instruments	78.50 %	75.80 %
Property	10.40 %	14.80 %
Other	0.80 %	1.10 %
Total	**100.00 %**	**100.00 %**

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
Balance at April 1, 2020	**415**	**22**	**437**
Additions	1	–	1
Utilization	–	(20)	(20)
Reversal of unused provision	–	–	–
Currency translation differences	18	–	18
Balance at March 31, 2021	**434**	**2**	**436**
Additions	3		3
Utilization	–	(2)	(2)
Reversal of unused provision	–		–
Currency translation differences	(28)		(28)
Balance at March 31, 2022	**409**	–	**409**

20. Income taxes

Income tax expense is as follows:

(in CHF 1 000)	2021/22	2020/21
Current income taxes	7 877	5 200
Adjustments for taxes of prior periods	379	(380)
Deferred taxes	165	(432)
Total	**8 421**	**4 388**

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)	2021/22	2020/21
Profit before income tax	**30 457**	**16 444**
Average tax rate	25.72 %	26.61 %
Expected income tax expense	**7 833**	**4 376**
Effect of non-tax-deductible expense	67	(2)
Effect of non-taxable items	(477)	–
Effect of waived capitalization of tax losses	2	254
Utilization of previously unrecognized tax losses	(92)	(92)
Adjustments in respect of prior periods	379	(380)
Taxes not directly related to income	361	228
Other	348	4
Effective income tax expense	**8 421**	**4 388**

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)	2022	2021
Trade receivables	(312)	5
Inventories	1 011	536
Property, plant and equipment (non-current)	334	448
Intangible assets	26	1 115
Other assets	319	366
Other payables	1 320	779
Leases	28	21
Tax loss carry-forwards	244	275
Net deferred tax assets (liabilities)	**2 970**	**3 545**
of which reported in the balance sheet as:		
Deferred income tax assets	3 159	3 747
Deferred income tax liabilities	(189)	(202)

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 2022	Gross value 2021	Tax benefits 2022	Tax benefits 2021
Expiring in				
1–8 years	–	–	–	–
Unlimited	1 107	1 250	244	275
Tax loss carry-forwards capitalized at March 31	**1 107**	**1 250**	**244**	**275**
Expiring in				
1 year	13	11	2	2
4 years	71	–	11	–
5 years	354	71	53	10
6 years	1 029	335	154	47
7 years	1 023	2 331	153	326
8 years	796	1 479	119	207
Unlimited	4 104	4 238	1 399	1 365
Tax loss carry-forwards not capitalized at March 31	**7 390**	**8 465**	**1 891**	**1 957**
Total tax loss carry-forwards	**8 497**	**9 715**	**2 135**	**2 232**

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, 2022 amounts to CHF 10 661 (2021: 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 (2021: 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 (2021: 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, 2022 and March 31, 2021, the Group held no own shares.

22. Other reserves

(in CHF 1 000)	Foreign exchange translation reserve	Other OCI	Total other reserves
Equity at April 1, 2020	**(26 153)**	**(2 078)**	**(28 231)**
Actuarial gains (losses) on employee benefit obligations, net of tax		459	459
Exchange difference on translation of foreign operations	3 346	–	3 346
Other comprehensive income for the year	3 346	459	3 805
Total comprehensive income for the year	**3 346**	**459**	**3 805**
Equity at March 31, 2021	**(22 807)**	**(1 619)**	**(24 426)**
Actuarial gains (losses) on employee benefit obligations, net of tax		747	747
Exchange difference on translation of foreign operations	(4 269)	–	(4 269)
Other comprehensive income for the year	(4 269)	747	(3 522)
Total comprehensive income for the year	**(4 269)**	**747**	**(3 522)**
Equity at March 31, 2022	**(27 076)**	**(872)**	**(27 948)**

23. Government grants

Government grants amounting to CHF 219 (2021: 1 323) were received mainly for job support, wage subsidies, short-time work compensation and quarantine benefits in connection with Covid-19 support. Government grants are included in the income statement under cost of goods sold, research & development expense and selling, general and administrative expense. There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

24. 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 1 460 (2021: CHF 1 540). 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.

25. 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 % (2020/21: 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 27.

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)	2021/22	2020/21
Key management personnel compensation		
Short-term employee benefits	1 910	1 464
Post-employment benefits	45	39
Long-term benefits	–	–
Termination benefits	–	–
Share-based payments	–	–
Total	**1 955**	**1 503**

At the end of the reporting period, CHF 973 (2021: CHF 531) was outstanding within accrued personnel expense in other payables (note 16). Detailed remuneration disclosures are provided in the compensation report on pages 36 to 38.

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 75 (2020/21: CHF 75). In addition, he received board fees from subsidiary companies of CHF 24 (2020/21: CHF 27). At the end of the reporting period, CHF 75 (2021: CHF 148) 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 (2020/21: CHF nil). 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.

26. 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.

27. Subsidiaries

At March 31, 2022 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 Sàrl, 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 UNIPESSOAL 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

There were no major changes in principal subsidiaries held by the Group during the year ended March 31, 2022.

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

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 statement of comprehensive income for the year ended 31 March 2022, the balance sheet as at 31 March 2022, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting and valuation 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 2022 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 International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), 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 1'100'000

We concluded full scope audit work at 23 reporting units in 18 countries. Our audit scope addressed 81% of the Group's revenue and 82% of the Group's assets. In addition, specified procedures were performed in one reporting unit representing a further 6% of the Group's revenue and 2% of the Group's assets.

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

Valuation of inventory

PricewaterhouseCoopers AG, Dammstrasse 21, Postfach, CH-6302 Zug, Switzerland
Telefon: +41 58 792 68 00, Telefax: +41 58 792 68 10, www.pwc.ch

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 1'100'000
Benchmark applied	Revenue from sale of goods
Rationale for the materiality benchmark applied	We chose revenue from sale of goods as the benchmark given the volatility of the results in the past years and because, in our view, it is a reasonable and generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 55'000 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 discussions with the PwC component audit team about work performed for significant audit areas at the 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 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. We refer to page 50 (significant accounting and valuation policies, note 2.9 Inventories) and page 63 (note 13 Inventories).	In assessing the reasonableness of the provision for write-downs, we performed the following audit procedures: • We gained an understanding of management's processes and tested the key controls associated with inventory cost price and margin data.

Report of the Statutory Auditor

- We assessed the appropriateness of the methodology used to calculate the provision 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.

On the basis of the procedures we performed, we concluded that the assumptions made and the judgements applied in relation to the provision for write-downs were reasonable.

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 and the remuneration report 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	Daniel Wyss
Audit expert Auditor in charge	Audit expert

Zug, 22 June 2022

Financial Statements

for the years ended March 31, 2022 and 2021

Statements of Income

for the years ended March 31

(in CHF 1 000)	Notes	2022	2021
Income			
Dividend income		10 075	4 338
Total income		**10 075**	**4 338**
Expenses			
Personnel expense	6	(434)	(429)
Other operating expense		(65)	(75)
Bank fees		(120)	(88)
Provision for investments		(5 000)	-
Total expenses		**(5 619)**	**(592)**
Profit before taxes		**4 456**	**3 746**
Direct taxes		(31)	-
Profit for the year		**4 425**	**3 746**

See notes to financial statements

Balance Sheets

at March 31

(in CHF 1 000)	Notes	2022	2021
Assets			
Current assets			
Cash and cash equivalents		13 411	13 258
Other accounts receivable - subsidiaries		9 921	9 112
Total current assets		**23 332**	**22 370**
Non-current assets			
Investments in subsidiaries	2	35 636	40 636
Total non-current assets		35 636	40 636
Total assets		**58 968**	**63 006**
Liabilities and shareholders' equity			
Current liabilities			
Other short-term liabilities – third parties		18	23
Provisions – taxes		12	1
Accrued expenses		490	430
Total current liabilities		**520**	**454**
Total liabilities		**520**	**454**
Shareholders' equity			
Share capital	3, 4	**10 661**	**10 661**
Legal capital reserves			
Reserves from capital contributions		38	38
Statutory retained earnings		**2 150**	**2 150**
Voluntary retained earnings			
Free reserves		36 000	44 837
Available earnings – profit brought forward		5 174	1 120
Available earnings – profit for the year		4 425	3 746
Total shareholders' equity		**58 448**	**62 552**
Total liabilities and shareholders' equity		**58 968**	**63 006**

See notes to financial statements

Statements of Changes in Available Earnings and Reserves

(in CHF 1 000)

Available earnings	
Balance March 31, 2020	**(8 880)**
Transfer from free reserves	10 000
Dividend paid	–
Profit for the year 2020/21	3 746
Balance March 31, 2021	**4 866**
Transfer from free reserves	8 837
Dividend paid	(8 529)
Profit for the year 2021/22	4 425
Balance March 31, 2022	**9 599**

Proposal of the Board of Directors for 2021/22 regarding appropriation of available earnings

Distribution of dividend	
- 1 600 000 registered shares at CHF 2.40 per share	3 840
- 390 710 bearer shares at CHF 12.00 per share	4 688
To be carried forward	1 071
Available earnings per balance sheet	**9 599**

Notes to the Financial Statements

for the years ended March 31

All amounts are in CHF 1 000 unless otherwise stated.

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 27 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 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 (2021: 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 (2021: 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, 2022	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)	*	–	254	–	254

at March 31, 2021	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)	*	–	175	–	175

Notes to the Financial Statements

(*) At March 31, 2022 and 2021, Valeria Gavazzi, Chairman, personally owned 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, 2022 and 2021, the mother, Uberta Gavazzi, Zug, owned 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, 2022 and 2021, 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 1 460 (2021: CHF 1 540).

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

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 statement of income, the balance sheet as at 31 March 2022 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 2022 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 290'000
Benchmark applied	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 EXPERTsuisse: 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.

Report of the Statutory Auditor

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.

PricewaterhouseCoopers AG

Thomas Illi	Daniel Wyss
Audit expert Auditor in charge	Audit expert

Zug, 22 June 2022

Group Companies

Group

Headquarters

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

Automation Components

Headquarters

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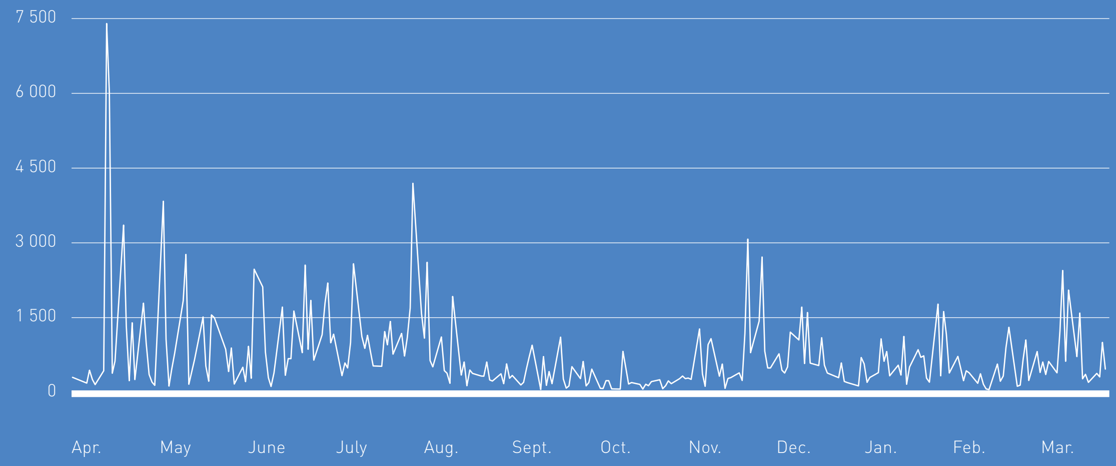
Information for Investors

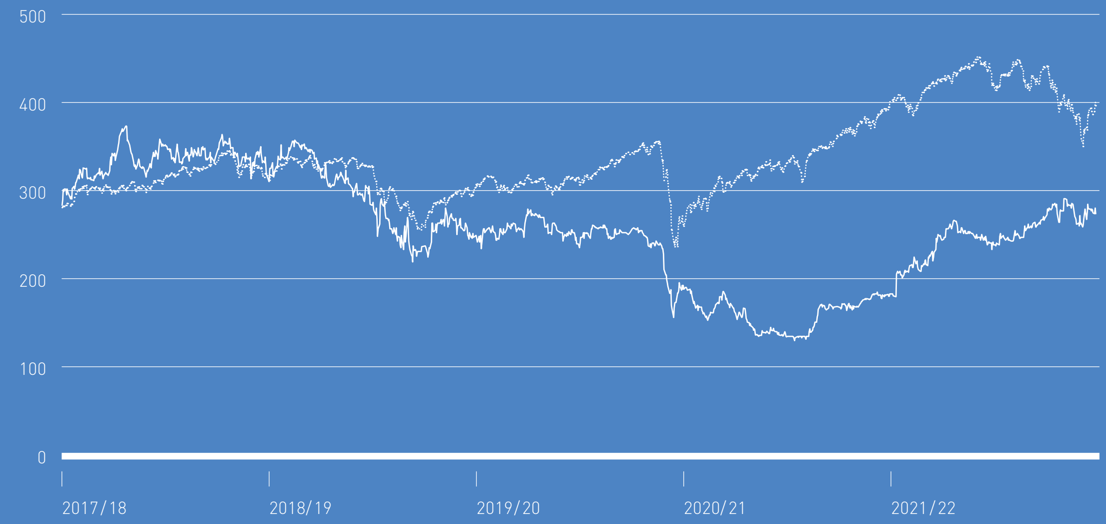
Information for Investors

Share price
1.4.2021–
31.3.2022
(CHF)

Share volume
1.4.2021–
31.3.2022
(Number)



Share price
1.4.2017–
31.3.2022
(CHF)



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

Information for Investors

		2021/22	2020/21	2019/20	2018/19	2017/18
Registered shares						
Nominal value CHF 3						
Shares issued	Number	**1 600 000**	1 600 000	1 600 000	1 600 000	1 600 000
Share of capital	%	**45.0**	45.0	45.0	45.0	45.0
Share of voting rights	%	**80.4**	80.4	80.4	80.4	80.4
Share price	The registered shares are not traded on the SIX Swiss Exchange					
Bearer shares						
Nominal value CHF 15						
Shares issued	Number	**390 710**	390 710	390 710	390 710	390 710
Share of capital	%	**55.0**	55.0	55.0	55.0	55.0
Share of voting rights	%	**19.6**	19.6	19.6	19.6	19.6
Share price as of March 31	CHF	**279**	193	204	255	322
Share price – high	CHF	**296**	204	285	358	373
Share price – low	CHF	**193**	146	170	229	289
Average daily volume	Number	**79**	205	435	272	503
P/E Ratio	Factor	**9.0**	11.4	24.0	16.9	27.3
Basic earnings per share	CHF	**31.0**	17.0	8.5	15.1	11.8
Book value per share	CHF	**163**	149	127	137	140
Stock market capitalization	CHF 1 000	**198 288**	137 167	144 985	181 231	228 849
- in percentage of revenue	%	**108.1**	92.6	97.6	116.9	153.7
- in percentage of equity	%	**170.6**	129.1	160.6	185.9	230.5
Dividend per share (ordinary)	CHF	**12***	12	-	12	12
- dividend yield	%	**4.3***	6.2	-	4.7	3.7
- total pay-out	CHF 1 000	**8 529***	8 529	-	8 529	8 529
- pay-out ratio	%	**38.7***	70.7	-	79.6	101.6

*Proposal of the Board of Directors

Restriction of voting rights
There are no limits on registration of voting rights

Financial calendar

Shareholders' meeting 2021/22:	July 26, 2022
Interim report 2022/23:	November 24, 2022
Press and financial analysts' meeting 2022/23:	June 22, 2023
Shareholders' meeting 2022/23:	July 25, 2023

CARLO GAVAZZI

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