

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	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)	Total	Not impaired
as at March 31, 2022		
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

(in CHF 1 000)	Liabilities from financing activities			Other assets	
	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
Curtailement 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		Tax benefits	
	2022	2021	2022	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.

