Annual Report 2016/17

At a Glance
Five-Year Financial Summary

Five-Year Financial Summary

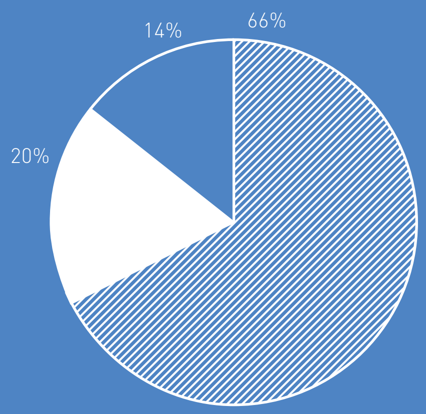
(CHF million)	**2016/17**	2015/16	2014/15	2013/14	2012/13
Bookings	**137.7**	129.3	136.6	141.3	140.6
Order backlog	**21.0**	19.3	22.0	24.0	24.0
Operating revenue	**135.4**	130.2	137.2	140.5	138.3
Gross profit	**74.7**	72.2	75.9	78.1	76.9
EBITDA	**20.0**	17.6	18.1	19.0	19.3
EBIT	**16.7**	14.4	14.8	15.7	15.9
Profit before taxes	**16.9**	13.7	15.8	14.7	16.4
Net income	**13.4**	9.6	12.3	11.2	12.5
Cash flow*	**16.7**	12.9	15.6	14.5	15.9
Depreciation and amortization	**3.3**	3.2	3.3	3.3	3.4
Additions to fixed and intangible assets	**2.9**	3.8	4.4	3.4	3.1
Trade receivables	**28.9**	28.4	26.7	29.6	32.1
Inventories	**21.7**	20.3	20.4	23.6	25.0
Net working capital	**31.5**	29.9	29.3	32.4	34.6
Current assets	**105.5**	100.8	97.2	105.4	114.4
Property, plant and equipment, net	**10.6**	11.2	10.4	10.4	10.6
Intangible assets, net	**6.5**	6.6	6.5	7.1	7.1
Net cash position	**49.0**	46.5	45.0	46.1	52.0
Current liabilities	**25.1**	24.3	22.7	26.7	27.5
Non-current liabilities	**9.0**	9.7	9.6	8.7	8.1
Shareholders' equity	**95.2**	91.4	88.5	93.2	101.2
Total liabilities and shareholders' equity	**129.3**	125.4	120.8	128.6	136.8
Number of employees (average)	**1 016**	1 014	1 020	1 019	1 006

* Net income + depreciation + amortization

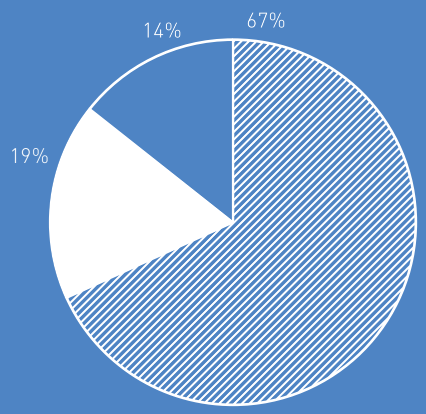
At a Glance

(CHF million)	2016/17	2015/16	%
Bookings	**137.7**	129.3	6.5
Operating revenue	**135.4**	130.2	4.0
EBITDA	**20.0**	17.6	13.6
EBIT	**16.7**	14.4	16.0
Net income	**13.4**	9.6	39.6
Cash flow	**16.7**	12.9	29.5
Shareholders´ equity	**95.2**	91.4	4.2
ROE	**14.1%**	10.6%	-
ROCE	**36.2%**	32.0%	-

Revenue distribution by geographical region



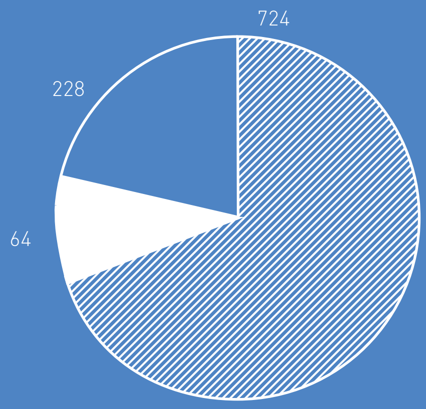
2016/17



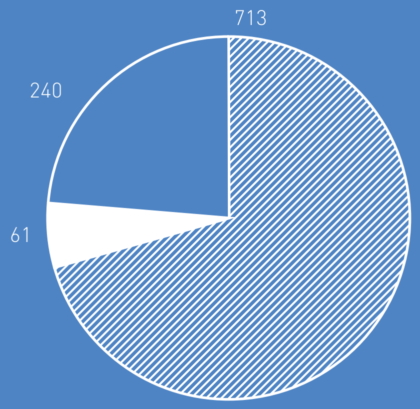
2015/16

EMEA
NORTH AMERICA
ASIA-PACIFIC

Distribution of employees by geographical region



2016/17



2015/16

Annual Report 2016/17

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

Corporate

Letter to the Shareholders

Dear Shareholders,

In the 2016/17 business year, Carlo Gavazzi recorded a sound growth in revenue, EBIT and net income.

Operating revenue increased by 3.9% and bookings by 6.4% in local currency, on the back of solid sales in key markets and the ongoing launch of new products. The Group continued to implement its strategy of investing in its product portfolio and in the expansion of the sales network in markets outside Europe.

Operating revenue in Swiss Francs increased by 4.0% to CHF 135.4 million (CHF 130.2 million in 2015/16). Bookings grew by 6.5% to CHF 137.7 million (CHF 129.3 million in 2015/16), resulting in a book-to-bill ratio of 1.02 at March 31, 2017. Gross profit increased by CHF 2.5 million to CHF 74.7 million (CHF 72.2 million in 2015/16) while the gross margin decreased slightly by 0.4 percentage points to 55.1%. Operating expenses went up by CHF 2.0 million from CHF 58.1 million in the previous year to CHF 60.1 million following the business decision to increase investments in R&D and Marketing in America and Asia-Pacific. Operating profit (EBIT) reached CHF 16.7 million, compared to CHF 14.4 million (+16.0%) in the previous year. The reason for this increase was the favourable outcome of an arbitration contributing non-operational, non-recurring exceptional net proceeds of CHF 2.4 million. As a result, the EBIT margin increased to 12.4% (previous year: 11.0%).

Group net income increased by CHF 3.8 million to CHF 13.4 million (CHF 9.6 million in 2015/16), mainly due to (i) a change in the exchange difference of CHF 0.9 million with an exchange gain of CHF 0.2 million this year compared to an exchange loss of CHF 0.7 million in the previous year plus (ii) the arbitration income of CHF 2.4 million described above.

At March 31, 2017, shareholders' equity stood at CHF 95.2 million (CHF 91.4 million in 2015/16), giving an equity ratio of 73.6% (2016: 72.9%) with a net cash position of CHF 49.0 million. Having assessed the results, the Board of Directors will propose to the Annual Shareholders' Meeting that the Company pays a dividend of CHF 15.00 per bearer share and CHF 3.00 per registered share for the reporting period, corresponding to a pay-out ratio of 79.6%.

Geographical markets

Sales grew across all three geographical regions in local currency.

In Europe, sales were 3.1% above the previous year due to good performance in industrial automation in Central and Southern European countries, and stronger activities in energy efficiency in the Nordic market.

Sales in Asia-Pacific increased by 5.1% compared to the previous year mainly due to progress of business development programs in China.

In North America, sales increased by 5.9% compared to the previous year thanks to the dedicated programs deployed with distributors in industrial automation markets.

The geographical distribution of revenue continues to broaden, with sales outside Europe expanding to 33.9%, with North America and Asia-Pacific accounting for 19.9% and 14.0%, respectively.

Product and market segment sales

The Group continued to implement its strategy of investing in its product portfolio.

The controls product line performed above the previous year, due to the contribution from energy management products, which grew by 6% versus the previous year. This positive momentum is mainly due to the continuous increase in demand for energy monitoring products such as the EM340 energy analyzers and the VMU-C web-based monitoring solutions in conventional energy, building automation and heating, ventilation and air conditioning (HVAC) markets.

Sensor products performed slightly above the previous year. A positive contribution came from photoelectric sensors, which increased by more than 3% versus the previous year, mainly due to the PD30 family of products and PF74 fork sensors. The former combines excellent sensing abilities with an optimized compact housing design for industrial automation applications in packaging & wrapping lines or in the semiconductor market while the latter is designed to level and position applications in elevators.

The switches product line grew by more than 12% versus last year, driven by strong sales both in the RG platform and RSBT soft starters. The RG platform has improved penetration in China primarily in plastics and semiconductor applications while RSBT soft starters benefitted from business development with manufacturers of commercial refrigeration equipment.

The fieldbus product line declined versus the previous year due to decreasing sales of Dupline products mainly in conveyors for mining applications.

Sales of products in priority markets performed better than overall sales growth, with an increase of more than 19% and 9%, respectively, in the HVAC and plastics markets.

Strategy

Introduction of new and enhanced products is a key element in the business development towards new and existing markets and geographies.

The deployment of IO link features across core sensor families will address key requirements arising from Industry 4.0, by providing value-added functionalities such as increased diagnostics to assist manufacturers in performing predictive maintenance on their machinery.

The development of the new platform of multi-protocol MTI energy analyzers will allow customers to implement metering and data analysis through internet in building automation and emerging e-storage.

The deployment of integrated communication in solid state switching devices will extend the usability in our customers' controls systems with enhanced control and diagnostics functions to improve predictive maintenance in industrial automation.

The integration of web-based energy management and fieldbus SB-web control platforms will drive business development in energy efficiency applications through enhanced load management in commercial building and production facilities.

Outlook

Growth of the global economy has gained momentum, particularly in the developing countries and the scenario has improved also for the industrialized countries. The Group experiences interesting growth opportunities in major markets, particularly outside Europe, and continues to strengthen its product portfolio.

Carlo Gavazzi keeps focusing on geographical coverage by improving the effectiveness of the direct sales organization and by further developing the network of distributors and agents.

Acknowledgements

Carlo Gavazzi is well positioned in terms of financial stability, focused strategy, innovative technology and customer alliances and is proud to have a committed team that is willing and able to keep strengthening its global market position. Many thanks and much appreciation go to our employees for their dedication and hard work, to our customers and business partners for their confidence in us and their loyalty to the Company, as well as to our shareholders for their continued trust in the management and the Board of Directors.

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 substantially all of its revenue in currencies other than the Swiss Franc, foreign exchange rate movements are of particular importance. As in the previous year, the Euro was relatively stable against the Swiss Franc. The positive currency effect for the Group for the year amounted to 0.1% on bookings and operating revenue. In any case, the currency exposure for the Group on net income is limited as local revenues are matched substantially with corresponding expenses in the same currencies.

Bookings and backlog

Consolidated bookings increased by CHF 8.4 million or 6.5% from CHF 129.3 million to CHF 137.7 million. Bookings exceeded operating revenue by CHF 2.3 million for a book-to-bill ratio of 1.02. Group order backlog at year-end amounted to CHF 21.0 million or 15.5% of operating revenue, corresponding to revenue of around two months.

Operating revenue and gross profit margin

Consolidated revenue increased by CHF 5.2 million or 4.0% from CHF 130.2 million to CHF 135.4 million while the gross profit margin decreased slightly from 55.5% to 55.1%.

Operating expenses

Operating expenses increased by CHF 2.0 million from CHF 58.1 million to CHF 60.1 million. Operating expenses consist of R&D and selling, general and administrative expenses (SG&A). R&D expenses of CHF 6.8 million were stable at 5.0% of operating revenue, whereas SG&A expenses increased by 2.9% from CHF 51.8 million to CHF 53.3 million due to increased investment in sales and marketing. Net other operating income (expense) amounted to an income of CHF 2.1 million, compared with an income of CHF 0.3 million in the previous year. The main reason for the increase was the favourable final outcome of an arbitration award contributing non-operational, non-recurring exceptional net proceeds of CHF 2.4 million.

EBIT

EBIT increased by CHF 2.3 million or 16.0% from CHF 14.4 million to CHF 16.7 million. As a percentage of operating revenue, it amounted to 12.4%, compared with 11.0% in the previous year.

Net financial income (expense) amounted to an income of CHF 0.2 million, compared with an expense of CHF 0.7 million in the previous year. This amount included an exchange gain of CHF 0.2 million, resulting from the uneven movement of the Euro against the US Dollar during the year, compared with an exchange loss of CHF 0.7 million in the previous year. The nominal tax rate decreased to 20.9%, compared with 29.3% in the previous year.

Net income

Net income increased by CHF 3.8 million or 39.6% from CHF 9.6 million to CHF 13.4 million while, excluding the non-recurring arbitration award, the increase still amounted to 14.6%. Earnings per bearer share were CHF 18.84, compared with CHF 13.58 in the previous year. Return on equity amounted to 14.1% while return on capital employed was 36.2%.

Balance sheet and cash flow

Trade receivables increased by CHF 0.5 million from CHF 28.4 million to CHF 28.9 million, corresponding to a collection period of 72 days, compared with 74 days in the previous year. Inventories increased by CHF 1.4 million from CHF 20.3 million to CHF 21.7 million, corresponding to a turnover rate of 3.0. Net working capital increased by CHF 1.6 million from CHF 29.9 million to CHF 31.5 million. The net cash position during the year increased by CHF 2.5 million to reach CHF 49.0 million, compared with CHF 46.5 million in the previous year.

Shareholders' equity increased from CHF 91.4 million to CHF 95.2 million or 73.6% of total assets, after net income of CHF 13.4 million, a translation loss of CHF 1.3 million, dividend payments of CHF 8.5 million and actuarial gains on employee benefit obligations of CHF 0.2 million.

Cash flow increased by CHF 3.8 million from CHF 12.9 million to CHF 16.7 million. Capital expenditure amounted to CHF 2.9 million, compared with CHF 3.8 million in the previous year.
Free cash flow increased from CHF 8.6 million to CHF 12.3 million.

Group Profile

Our mission

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

Our structure

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

Our objectives

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

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

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

Our principles

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

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

To promote an environment conducive to mutual respect and cooperation.

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

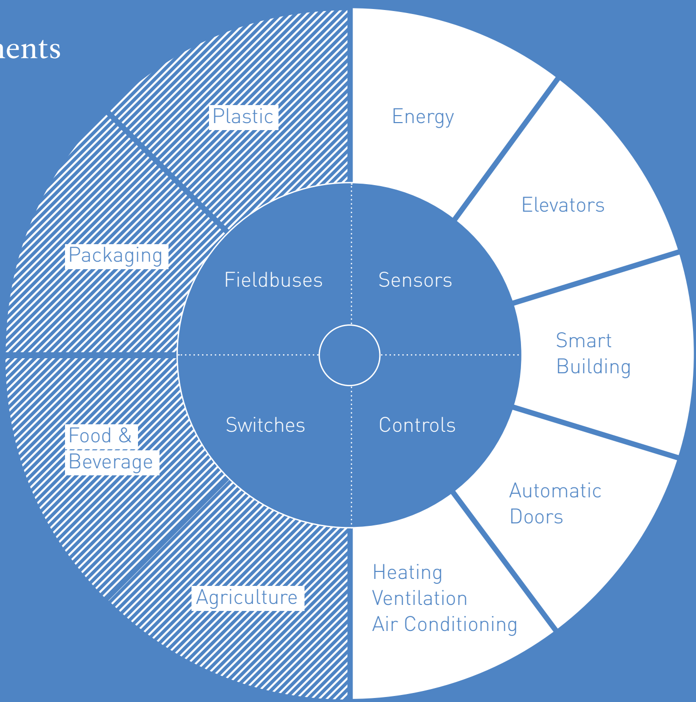
Our core activities

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

Our Strategy

Solution-packages for the vertical market segments

Priority Market Segments



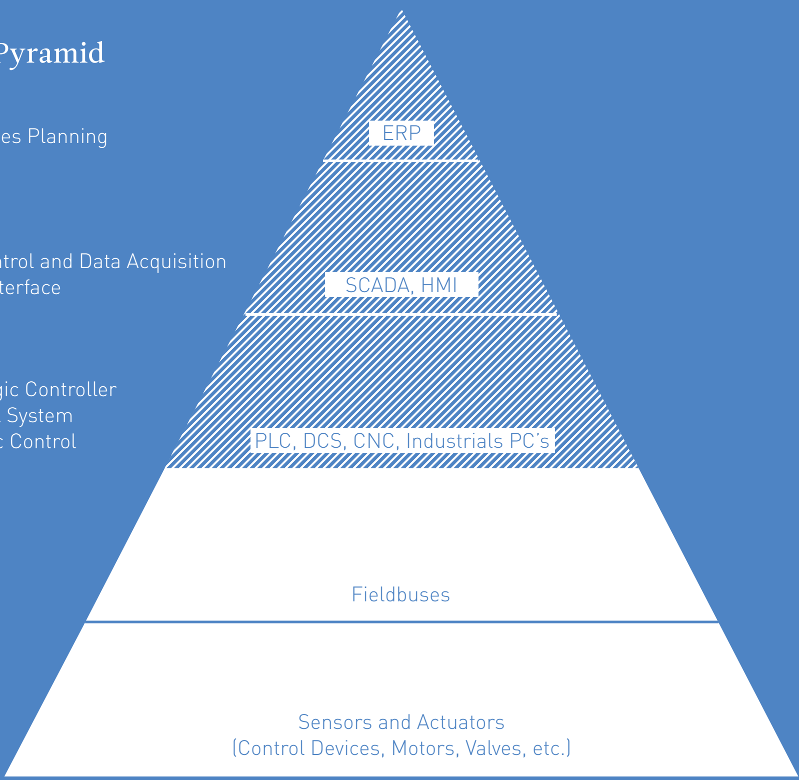
INDUSTRIAL
BUILDING
PRODUCT LINES

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
- 5 Regional offices

3 — Asia-Pacific

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

Corporate Governance

Carlo Gavazzi Group

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

The following representations made by Carlo Gavazzi Holding AG (the "Company", together with its subsidiaries "Carlo Gavazzi Group" or the "Group"), are in accordance with the Directive on Information relating to Corporate Governance (DCG) of SIX Exchange Regulation dated January 1, 2016, updated as of April 1, 2016. To the extent not applicable or not material, information required by the directive is not mentioned. The representations also take into account the Guideline on the Corporate Governance Directive (Guideline DCG) of SIX Exchange Regulation, as fully revised on April 10, 2017. The information is set out in the order required by the DCG, with subsections being summarized to the extent possible. Carlo Gavazzi Group's financial statements comply with IFRS reporting standards, and in certain sections readers are referred to the financial statements and notes in this annual report.

1. Group structure and shareholders

The operational Group structure is as follows:

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. For details regarding non-listed companies, please refer to the Notes to the Consolidated Financial Statements of the Company, note 25 "Subsidiaries", where all consolidated subsidiaries of the Company are listed.

Major shareholders	% of voting rights March 31, 2017
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 during the financial year can be viewed via the link to the search facility on the Disclosure Office's publication platform at www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

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 share capital of the Company amounts to CHF 10 660 650, divided into 1 600 000 registered shares with a par value of CHF 3 each and 390 710 bearer shares with a par value of CHF 15 each. Each share carries one vote and each share is entitled to dividend payments. Further information on the shares issued by the Company is available at www.carlogavazzi.com/en/investors/shares.html. For details regarding paid-in, authorized, and conditional capital, 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 Incorporation, governing the exclusion of shareholders' subscription rights (the Articles of Incorporation are available at www.carlogavazzi.com/en/investors/corporate-governance.html (German only). There were no changes in the share capital during the yearly reporting period that ended on March 31, 2017 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 registrations of shares. With regard to registered shares, the purchaser has to provide to the Company certain information and declare that he purchased the shares in his own name and on his own account ("trustee registration") as further set out in article 5 of the Articles of Incorporation (available at www.carlogavazzi.com/en/investors/corporate-governance.html). There are no convertible bonds or options issued by the Company or any of its subsidiaries with respect to the shares of the Company.

Board of Directors

3. Board of Directors

The Board of Directors currently comprises four members.

CHAIRMAN
VALERIA GAVAZZI
Swiss and Italian national, Zug
First elected 2009,
elected until 2017

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

VICE CHAIRMAN
STEFANO PREMOLI TROVATI
Italian national, Milan
First elected 2008,
elected until 2017

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

DIRECTOR
FEDERICO FOGLIA
Swiss national, London
First elected 2004,
elected until 2017

- 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 of Belgrave Capital Management, London, since 2014
- 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 Board of Centro Stampa Ticino SA, Muzzano, Switzerland, since 2010
- Member of the Board of Società Editrice Corriere del Ticino SA, Muzzano, Switzerland, since 2011
- Member of the Board of TImedia Holding SA, Melide, Switzerland, since 2012
- Member of the Board of Global Selection SGR, Milan, since 2014
- Member of the Board of American Selection Holdings NV, European Selection Holdings NV, Nippon Selection Holdings NV, Tiger Selection Holdings NV, Curacao, from 2015 until 2017

DIRECTOR
DANIEL HIRSCHI
Swiss national, Biel
First elected 2010,
elected until 2017

- 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
- Member of the Board of Komax Holding AG since 2005
- Member of the Board of Benninger AG from 2006 until 2016
- Member of the Board of Schaffner Holding AG since 2010
- Bearer shareholders' representative of Carlo Gavazzi Holding AG since July 2010

SECRETARY TO THE BOARD
RAOUL BUSSMANN
Swiss national, Zug

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

Executive Management and independence of the Board of Directors

None of the members of the Board of Directors have served in the Executive Management of the Company or of any of its direct or indirect subsidiaries in the three financial years preceding the period under review. Valeria Gavazzi and Stefano Premoli Trovati have served on the Boards of Directors of direct or indirect subsidiaries of the Company. Valeria Gavazzi is a significant shareholder of the Company.
For additional information on members of the Board of Directors and "Related Party Transactions" refer to note 23 "Related party transactions" to the Consolidated Financial Statements of Carlo Gavazzi Holding AG, note 4 "Significant shareholders and their shareholdings" to the Financial Statements of Carlo Gavazzi Holding AG and to section 1 of this report concerning the disclosure of significant shareholdings.

Restrictions on positions outside the Carlo Gavazzi Group

According to article 28 of the Articles of Incorporation (available at www.carlogavazzi.com/en/investors/corporate-governance.html), 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 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 Incorporation are available in German on the Group's website at carlogavazzi.com/en/investors/corporate-governance.html.

Areas of responsibility – Board of Directors

The Board of Directors establishes the strategic, accounting, organizational and financing policies to be followed by the Group. It supervises, controls and advises the Group's management. The Board of Directors has put in place reporting and controlling processes to ensure it has sufficient information to make appropriate decisions. The Board of Directors regularly reviews the operational and financial results and approves budgets as well as consolidated financial statements. The Board of Directors appoints the Group's executive officers. On a regular basis, the CFO reports the financial results and forecasts to the Board of Directors, whereas the CEO of Automation Components regularly reports to the Board of Directors regarding the industrial and commercial business activity. The Board of Directors has established an audit committee (the "Audit Committee") and the Compensation Committee (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 meeting and a budget meeting in November and March, respectively. The meetings of the Board of Directors usually last for a whole day. The CEO of Automation Components attends these meetings as required. The CFO regularly assists the Chairman in the presentation and discussion of the financial results. In the reporting period, the Board of Directors held four full-day meetings including one strategy meeting.

Audit Committee (AC)

The prime function of the Audit Committee is to assist the Board of Directors in fulfilling its supervisory responsibilities. It evaluates the independence and effectiveness of external auditors, approves auditing services to be performed by the external auditors and their related fees, evaluates business risks, assesses the quality of financial accounting and reporting, evaluates scope and overall audit plans, reviews audit results and monitors compliance with specific laws and regulations governing the financial statements. The Audit Committee may ask any questions at all times when deemed necessary through the Chief Financial Officer and may have direct contact with the Group's auditor 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 2016/17, 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 auditors.

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. In the financial year 2016/17, 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 twice.

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.

According to article 8(4) of the Articles of Incorporation (available at www.carlogavazzi.com/en/investors/corporate-governance.html), 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 2016/17, 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 CFO of Automation Components attended the meetings. The SMB meets as often as business requires. In the reporting period, the SMB met six times. The BoD members which are part of the SMB participated during the year in the ACBU strategy process which included eight full-day meetings.

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

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.

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

4. Executive Management

According to article 29 of the Articles of Incorporation (available at www.carlogavazzi.com/en/investors/corporate-governance.html), the employment agreements with the members of the Executive Management must either have a fixed term of not more than one year, or an unlimited term with a notice period of not more than twelve months.

Areas of responsibility – CEO of Automation Components

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

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

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

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

In particular, the CFO's responsibilities include: ensuring a timely and adequate reporting system to the Board of Directors and the SMB, including budgets and 3-year plans, 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
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)
ANTHONY M. GOLDSTEIN
Swiss and British national

- Chartered Accountant FCA
- Audit and training manager at Deloitte, Haskins & Sells, Zurich, (now Deloitte) 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 since 2007
- Member of Board of Swisscanto Collective Foundation of the Cantonal Banks since 2014
- Member of the Zurich Rental Conciliation Authority since 2014

EXTERNAL CORPORATE COMMUNICATIONS
ROLF SCHLÄPFER
Swiss national

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

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

External Corporate Communications

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

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

Restrictions on positions outside the Carlo Gavazzi Group

According to article 28 of the Articles of Incorporation (available at www.carlogavazzi.com/en/investors/corporate-governance.html), 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. Mandates with associated companies outside the Carlo Gavazzi Group are deemed to be a single mandate, as long as not more than ten mandates are being held within such a group of associated companies.

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

Management contracts

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

5. Compensation

For details relating to the compensation of present and former members of the Board of Directors and of the Executive Management, please refer to the 2016/17 compensation report included in the annual report 2016/17 (available at http://www.carlogavazzi.com/en/investors/annual-report.html).

Statutory rules regarding the principles of compensation, loans, credits and pension benefits are set out in articles 25 and 30 of the Articles of Incorporation (available at www.carlogavazzi.com/en/investors/corporate-governance.html). 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 Incorporation (available at www.carlogavazzi.com/en/investors/corporate-governance.html).

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 Incorporation do not provide otherwise. The Articles of Incorporation 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.

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 in control.

8. Auditors

PricewaterhouseCoopers AG, Zug, have been group auditors and statutory auditors since 1979. The auditors are elected by the AGM for a period of one year. The lead auditor, Bruno Häfliger, assumed his mandate in July 2010. A new lead auditor is appointed every seven years. The next change will be in 2017/18.

The audit fees charged by PricewaterhouseCoopers in 2016/17 amounted to CHF 526 513. For additional services the Group paid PricewaterhouseCoopers the sum of CHF 94 156, representing CHF 75 837 for tax consulting services and CHF 18 319 for other additional services relating mainly to coaching and supporting group subsidiaries.

Fees charged in 2016/17 by other audit companies for auditing certain subsidiaries amounted to CHF 74 541.

The Audit Committee regularly evaluates the independence and the effectiveness of the external auditors. The auditors are also present at meetings of the Audit Committee as required. For the reporting period, the Audit Committee held meetings with PricewaterhouseCoopers AG as set out in section 3 of this report. 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.

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 physical 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 quoted on the SIX Swiss Exchange and in line with article 53 et seq. of the Listing Rules dated November 4, 2016 (ad hoc publicity), the Group publishes all information relevant to its share price. In compliance with the Directive on Ad hoc Publicity dated October 29, 2008, 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 2017/18 is available inside the back cover of this annual report and can also be viewed on the Group's website under www.carlogavazzi.com/financialcalendar.

Contact for investor relations:
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Corporate Headquarters:
Carlo Gavazzi Holding AG
Sumpfstrasse 3
6312 Steinhausen
Switzerland
www.carlogavazzi.com

Compensation Report

1. Remuneration philosophy and basic principles

General

In accordance with the "Ordinance against Excessive Compensation in Stock Exchange Listed Companies", the Company issues its compensation report separate from the Corporate Governance Report.

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 year 2016/17. The content and amount of information provided is in line with the provisions of the "Ordinance against Excessive Compensation in Stock Exchange Listed Companies" (Ordinance), the SIX Swiss Exchange Directive on Corporate Governance.

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 on the total compensation for the members of the Executive Management, including the variable compensation.

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.

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. 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 plus a fixed daily fee, including expenses, for attending meetings of the Board of Directors and for their duties in the respective Committees. Ad hoc meetings and SMB meetings are remunerated with a daily fee prorated on an eight hours' working day, plus 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. In determining the annual fee, the Compensation Committee proposes to the Board of Directors the level of compensation. To determine appropriate compensation levels, the Compensation Committee takes into account publicly available information on remuneration at internationally active Swiss peer companies of similar size being active in a similar industry sector listed on the SIX Swiss Exchange and included in the SPI EXTRA® Index in the same Industry Classification Benchmark (ICB). Based on the proposal by the Compensation Committee and subject to its own review, the Board of Directors ultimately decides on the fees on an annual basis.

The members of the Board of Directors about whose compensation a decision is being taken 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 fixed base salary takes into account the responsibility assumed by the respective member of the Executive Management, individual qualifications and market levels of remuneration relevant for the respective country and position. From time to time, the Compensation Committee seeks professional advice from external experts.

For the CEO of Automation Components, the variable portion of the compensation relates to specific, individual, measurable targets set out by the Board of Directors. In the fiscal years 2016/17 and 2015/16 the targets were based on EBITDA and Operating Revenue, each weighted 45% and Net Working Capital Turnover 10%. The variable portion is evaluated based on target attainment at the end of the financial year. The variable compensation ranges between 0% and 54% of the base salary.

For the CFO, the variable portion of the compensation relates to individual performance and is determined by the Board of Directors at its qualitative discretion. The variable portion of the compensation is not expressed as a percentage of the base salary.

2. Remuneration expense

Compensation to members of the Board of Directors

2016/17 (in CHF 1 000)	Valeria Gavazzi Chairman*	Stefano Premoli Trovati Vice-Chairman	Federico Foglia Member	Daniel Hirschi Member	Total
Board fee, gross	–	118	71	115	304
Employer's contribution to social security	–	9	6	9	24
Other compensation	–	–	–	8	8
Total	–	**127**	**77**	**132**	**336**

2015/16 (in CHF 1 000)	Valeria Gavazzi Chairman*	Stefano Premoli Trovati Vice-Chairman	Federico Foglia Member	Daniel Hirschi Member	Total
Board fee, gross	–	130	69	117	316
Employer's contribution to social security	–	10	6	9	25
Total	–	**140**	**75**	**126**	**341**

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

Stefano Premoli Trovati is also partner of the tax and law firm of TFP & Partners. During the year, the Group received advisory services from TFP & Partners for a total of CHF 110 (2015/16 CHF 113). In addition, he received board fees from subsidiary companies of CHF 27 (2015/16 CHF 26).

Compensation to members of Executive Management

2016/17 (in CHF 1 000)	Vittorio Rossi CEO ACBU	Anthony M. Goldstein CFO	Total
Base salaries (fixed), gross	401	190	591
Bonus (variable), gross	119	–	119
Employer's contribution to social security	143	31	174
Other compensation	5	12	17
Total	**668**	**233**	**901**

2015/16 (in CHF 1 000)	Vittorio Rossi CEO ACBU	Anthony M. Goldstein CFO	Total
Base salaries (fixed), gross	397	190	587
Bonus (variable), gross	88	–	88
Employer's contribution to social security	138	30	168
Other compensation	5	12	17
Total	**628**	**232**	**860**

The base salary (fixed), gross, of Vittorio Rossi, CEO ACBU, is calculated using the average EUR/CHF exchange rate of the year.

Between the financial years 2016/17 and 2015/16, compensation of the Board of Directors and Executive Management did not change materially. The minor changes to the compensation result from the application of the set criteria used to determine compensation.

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

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, 2017 and 2016, 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 2016/17 and 2015/16, respectively.

No compensation was paid to former members of Executive Management during the financial years 2016/17 and 2015/16, respectively.

Compensation to related parties

Compensation to any related parties during the financial years 2016/17 and 2015/16, respectively, were market compliant.

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

Report of the Statutory Auditor

To the General Meeting of Shareholders of Carlo Gavazzi Holding AG, Steinhausen

We have audited the accompanying Compensation Report of Carlo Gavazzi Holding AG (note 2, pages 34 to 35) for the year ended March 31, 2017.

Board of Directors' responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying Compensation 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 whether the Compensation 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 Compensation 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 judgement, including the assessment of the risks of material misstatements in the Compensation 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 Compensation 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 Compensation Report for the year ended March 31, 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Bruno Häfliger
Audit expert
Auditor in charge

Daniel Wyss
Audit expert

Zug, June 21, 2017

Consolidated Financial Statements

for the years ended March 31, 2017 and 2016

Statements of Comprehensive Income

for the years ended March 31

(in CHF 1 000)	Notes	**2017**	2016
Continuing operations			
Revenue from sale of goods		135 434	130 154
Cost of goods sold		(60 746)	(57 965)
Gross profit		**74 688**	**72 189**
Research & development expense		(6 762)	(6 371)
Selling, general and administrative expense		(53 299)	(51 753)
Other operating income (expense), net	7	2 114	295
Operating profit (EBIT)		**16 741**	**14 360**
Financial income	8	227	39
Financial expense	8	(41)	(748)
Profit before income tax		**16 927**	**13 651**
Income tax expense	20	(3 538)	(4 002)
Net profit for the year		**13 389**	**9 649**
Other comprehensive income			
Actuarial gains (losses) on employee benefit obligations	18	270	240
Tax impact on actuarial gains (losses) on employee benefit obligations		(39)	(60)
Total items that will not be reclassified to profit or loss		**231**	**180**
Exchange difference on translation of foreign operations		(1 327)	1 614
Total items that may be reclassified subsequently to profit or loss		**(1 327)**	**1 614**
Total other comprehensive income for the year, net of tax		**(1 096)**	**1 794**
Total comprehensive income for the year		**12 293**	**11 443**
Net profit attributable to owners of Carlo Gavazzi Holding AG		13 389	9 649
Comprehensive income attributable to owners of Carlo Gavazzi Holding AG		12 293	11 443

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	3.77	2.72
- bearer shares	9	18.84	13.58

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

Balance Sheets

(in CHF 1 000)	Notes	as of March 31 2017	as of March 31 2016
Assets			
Current assets			
Cash and cash equivalents		49 066	46 703
Trade receivables	11	28 901	28 350
Other receivables	12	5 843	5 408
Inventories	13	21 717	20 339
Total current assets		**105 527**	**100 800**
Non-current assets			
Property, plant and equipment	14	10 618	11 238
Intangible assets	15	6 492	6 599
Other receivables	12	1 704	1 926
Deferred income tax assets	20	4 932	4 818
Total non-current assets		**23 746**	**24 581**
Total assets		**129 273**	**125 381**
Liabilities and equity			
Current liabilities			
Trade payables		10 277	10 200
Other payables	16	13 756	13 047
Borrowings	17	86	111
Current income tax liabilities	20	977	979
Total current liabilities		**25 096**	**24 337**
Non-current liabilities			
Other payables	16	1 327	1 495
Borrowings	17	-	87
Employee benefit obligations	18	6 986	7 362
Other provisions	19	532	586
Deferred income tax liabilities	20	165	111
Total non-current liabilities		**9 010**	**9 641**
Total liabilities		**34 106**	**33 978**
Equity			
Share capital	21	10 661	10 661
Capital reserves		600	600
Other reserves		(25 950)	(24 854)
Retained earnings		109 856	104 996
Total equity attributable to owners of Carlo Gavazzi Holding AG		**95 167**	**91 403**
Total liabilities and equity		**129 273**	**125 381**

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 March 31, 2015		**10 661**	**600**	**(26 648)**	**103 876**	**88 489**
Net profit for the year		**-**	**-**	**-**	**9 649**	**9 649**
Actuarial gains (losses) on employee benefit obligations, net of tax		-	-	180	-	180
Exchange difference on translation of foreign operations		-	-	1 614	-	1 614
Other comprehensive income for the year		**-**	**-**	**1 794**	**-**	**1 794**
Total comprehensive income for the year		**-**	**-**	**1 794**	**9 649**	**11 443**
Dividends	10	-	-	-	(8 529)	(8 529)
Total transactions with owners		**-**	**-**	**-**	**(8 529)**	**(8 529)**
Equity at March 31, 2016		**10 661**	**600**	**(24 854)**	**104 996**	**91 403**
Net profit for the year		**-**	**-**	**-**	**13 389**	**13 389**
Actuarial gains (losses) on employee benefit obligations, net of tax		-	-	231	-	231
Exchange difference on translation of foreign operations		-	-	(1 327)	-	(1 327)
Other comprehensive income for the year		**-**	**-**	**(1 096)**	**-**	**(1 096)**
Total comprehensive income for the year		**-**	**-**	**(1 096)**	**13 389**	**12 293**
Dividends	10	-	-	-	(8 529)	(8 529)
Total transactions with owners		**-**	**-**	**-**	**(8 529)**	**(8 529)**
Equity at March 31, 2017		**10 661**	**600**	**(25 950)**	**109 856**	**95 167**

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	2017	2016
Cash flow from operating activities			
Profit for the year		**13 389**	**9 649**
Income taxes	20	3 538	4 002
Depreciation and amortization		3 285	3 224
Loss (gain) on disposal of property, plant and equipment	7	(56)	(32)
Change in other non-cash items		973	1 466
Changes in working capital:			
- Change in trade receivables and other receivables		(1 308)	(2 328)
- Change in inventories		(1 573)	459
- Change in trade payables and other payables		131	1 238
Cash generated from operations		**18 379**	**17 678**
Interest received		24	33
Interest paid		(30)	(37)
Taxes paid		(4 057)	(4 356)
Cash flow from operating activities		**14 316**	**13 318**
Cash flow from investing activities			
Purchases of property, plant and equipment	14	(2 754)	(3 701)
Purchases of intangible assets	15	(128)	(138)
Proceeds from disposal of property, plant and equipment		101	75
Cash flow from investing activities		**(2 781)**	**(3 764)**
Cash flow from financing activities			
Dividends paid	10	(8 529)	(8 529)
Proceeds from borrowings		-	-
Repayment of borrowings		(111)	(580)
Cash flow from financing activities		**(8 640)**	**(9 109)**
Change in cash and cash equivalents		**2 895**	**445**
Cash and cash equivalents at the beginning of the year		46 703	45 819
Effects of exchange rate changes on cash and cash equivalents		(532)	439
Cash and cash equivalents at the end of the year		**49 066**	**46 703**

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

Notes to the Consolidated Financial Statements

1. General information

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

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

These audited consolidated financial statements were approved for publication by the Board of Directors on June 21, 2017, and will be recommended for approval at the Annual General Meeting to be held on July 25, 2017.

2. Significant accounting and valuation policies

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

2.1 Basis of preparation

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

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

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that may affect the reported amounts of assets and liabilities, income and expenses, as well as the disclosure of contingent liabilities and contingent assets during the reporting period. Whilst these estimates are based on management's best knowledge of current circumstances and possible future events, actual results may ultimately differ from these estimates.

Certain minor reclassifications were made to prior year figures and related note disclosures to conform to the current year's presentation.

2.2 Changes to accounting policies

The following new and revised standards and interpretations are mandatory for the first time for financial years beginning on or after April 1, 2016, but have no material impact or are not currently relevant for the Group:

- The amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" apply to investments in subsidiaries, joint ventures and associates.

Selected standards and revisions to standards effective for periods commencing on or after April 1, 2017, which have not been adopted early by the Group:

- The IAS 7 "Disclosure Initiative" amendments to IAS 7 "Statement of Cash Flows" require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes and are effective for periods beginning on or after January 1, 2017.

- The amendments to IAS 12 "Income Taxes" clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. Entities are required to apply the amendments retrospectively and these are effective for periods beginning on or after January 1, 2017 with early application permitted.

- The amendments to IFRS 2 "Share-based Payment" deal with the classification and measurement of share-based payment transactions. The amendments are intended to eliminate diversity in practice in three main areas:
  (i) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction,
  (ii) The classification of a share-based payment transaction with net settlement features for withholding tax obligations and
  (iii) The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments to IFRS 2 are effective for accounting periods beginning on or after January 1, 2018 with early application permitted.

- The new IFRS 9 "Financial Instruments" deals with the classification and measurement of financial assets and will ultimately replace IAS 39 "Financial Instruments: Recognition and Measurement" in its entirety. IFRS 9 introduces new requirements for classifying and measuring financial assets, thereby reducing the number of asset categories from four to two. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after January 1, 2018 with early adoption permitted.

- The new IFRS 15 "Revenue from Contracts with Customers" specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. IFRS 15 applies to annual reporting periods beginning on or after January 1, 2018.

- The new IFRS 16 "Leases" specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.

New standards and interpretations are usually applied as of the effective date, however, the Group considers early adoption on an individual basis. If the above standards and interpretations had been applied already in the current financial year, they would have had no significant effect on the consolidated financial statements of the Group except possibly IFRS 16 where the effects are being studied.

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	31.3.2017	31.3.2016
BRL	100	31.53	27.02
CAD	1	0.75	0.74
CNY	100	14.45	14.81
DKK	100	14.40	14.65
EUR	1	1.07	1.09
GBP	1	1.25	1.38
HKD	100	12.88	12.35
MYR	100	22.62	24.54
NOK	100	11.65	11.58
SEK	100	11.21	11.81
SGD	1	0.72	0.71
USD	1	1.00	0.96

Average rates – comprehensive income statement

Currency	Unit	1.4.2016 – 31.3.2017	1.4.2015 – 31.3.2016
BRL	100	30.01	27.42
CAD	1	0.75	0.74
CNY	100	14.68	15.38
DKK	100	14.57	14.38
EUR	1	1.08	1.07
GBP	1	1.29	1.47
HKD	100	12.73	12.54
MYR	100	23.51	24.12
NOK	100	11.83	11.76
SEK	100	11.40	11.49
SGD	1	0.71	0.70
USD	1	0.99	0.97

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 provision for impairment. The amount of the provision for impairment is determined by analyzing known uncollectible accounts, aged receivables, economic conditions in the customers' country or industry, historical losses and the customers' creditworthiness.

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 provision for impairment of receivables. The Group generally does not require collateral from its customers.

Changes to the provision for impairment of receivables 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 fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets unless they are not expected to be realized within 12 months.

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The loans and receivables comprise cash and cash equivalents, trade receivables and other receivables in the balance sheet (notes 2.5, 2.6 and 2.7).

c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of them within 12 months of the end of the reporting period.

Recognition and measurement
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 fair value through profit or loss. Financial assets carried at fair value through profit or loss 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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category 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 fair value through profit or loss is recognized in the income statement as part of other operating income (expense), net when the Group's right to receive payment is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest rate method is recognized in the income statement as part of financial income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other operating income (expense), net when the Group's right to receive payment is established.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Impairment of financial assets
a) Assets carried at amortized cost
The Group assesses at the end of each reporting period whether there is objective evidence that

a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- 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;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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.

b) Assets classified as available-for-sale
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed

through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

2.9 Inventories

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

2.10 Property, plant and equipment

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

Property, plant and equipment are reported at their purchase price or construction costs less scheduled accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes the estimated costs of dismantling and removing the asset and restoring the site on which it is located (decommissioning costs) and the corresponding liability is recognized in accordance with IAS 37.

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

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

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

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

2.11 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated, from the acquisition date, to cash-generating units or groups of cash-generating units (not higher than operating segment) 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 synergies arising from the business combination.

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

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

2.12 Assets held for sale

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

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

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

2.13 Impairment of non-financial assets

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

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

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units to which the goodwill relates. Impairment losses relating to goodwill cannot be reversed in future years.

2.14 Trade payables

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

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

2.15 Other payables

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

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

2.16 Borrowings

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

Borrowings are recognized initially at fair value, net of transaction costs incurred. In subsequent periods, loans are stated at amortized cost using the effective interest rate method with any difference between proceeds (net of transaction costs) and the redemption value being recognized in the income statement over the terms of the borrowing.

2.17 Leasing

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

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

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

2.18 Employee benefits

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

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

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

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

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

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

Termination indemnity

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

2.19 Provisions and contingent liabilities

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

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

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

2.20 Equity

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

Share capital is the par value of all outstanding shares.

Capital reserves contain gains and losses realized on the sale of own shares held in previous years. Retained earnings are profits, including legal and free reserves, that are not distributed as dividends and which are generally freely available.

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 recognition

Revenue from sale of goods comprises all revenues that are derived from sales of products to third parties after deduction of sales taxes and discounts. Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of the products have passed to the buyer, usually upon delivery of the products.

Interest income is recognized using the effective interest rate method.

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

Income tax expense for the year comprises current and deferred income taxes.

Current income taxes are the expected taxes payable on the taxable income for the year of the respective group companies including any adjustment to taxes payable in respect of previous years. Current income taxes are accrued in a period-compliant manner.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred taxes are determined using tax rates that apply, or have been substantively enacted, on the balance sheet date in the countries where the Group is active. Tax losses carried forward are recognized as deferred tax assets to the extent that it is probable that tax profit will be available in the future against which the tax losses carried forward can be utilized. Deferred tax assets and liabilities are offset against each other if the corresponding income taxes arise by the same tax authority and a legally enforceable right for offsetting exists.

2.24 Business combinations

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

3. Financial risk management

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

Financial assets (in CHF 1 000)	2017	2016
Loans and receivables		
Cash and cash equivalents	49 066	46 703
Trade receivables	28 901	28 350
Other receivables	4 943	4 555
Total	**82 910**	**79 608**

Financial liabilities (in CHF 1 000)	2017	2016
Other financial liabilities at amortized cost		
Trade payables	10 277	10 200
Other payables	15 083	14 542
Borrowings	86	198
Total	**25 446**	**24 940**

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 are 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 USD in the amount of CHF 3 244 (2016 CHF 3 942). A change in foreign currency exchange rates of 10%, with all other variables held constant, would have caused the pre-tax result of the Group to be higher/lower by around CHF 324 (2016 CHF 394).

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, the interest rate risk is considered to be immaterial. A sensitivity analysis has therefore 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, 2017 (in CHF 1 000)	less than 1 year	between 1–5 years	more than 5 years	Total
Trade payables	10 277	–	–	10 277
Other payables	13 756	1 327	–	15 083
Bank overdrafts	–	–	–	–
Bank loans	–	–	–	–
Other loans	86	–	–	86
Leasing obligations	–	–	–	–
Total	**24 119**	**1 327**	–	**25 446**

as at March 31, 2016 (in CHF 1 000)	less than 1 year	between 1–5 years	more than 5 years	Total
Trade payables	10 200	–	–	10 200
Other payables	13 047	1 495	–	14 542
Bank overdrafts	26	–	–	26
Bank loans	–	–	–	–
Other loans	85	87	–	172
Leasing obligations	–	–	–	–
Total	**23 358**	**1 582**	–	**24 940**

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, 2017, equity represented 73.6% of total assets (2016 72.9%).

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.

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.

Provision for impairment of receivables

To cover shortfalls from current trade receivables, the Group records a provision for impairment of receivables based on historical information and on estimates in regard to the solvency of customers. Unexpected financial problems of major customers could lead to the situation where the recorded provision is insufficient.

Warranties

During regular course of business the group companies are faced with risks for warranties granted on the sale of products. Warranty provisions are built for products with extended useful lives, up to ten years, namely in the renewable energy market. The amount of warranty provision is determined based on experience and on the currently known warranty risk. The amount of the provision is assessed initially and subsequently reviewed annually by Group Management.

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 EBIT to profit before income tax is as follows:

(in CHF 1 000)	2016/17	2015/16
EBIT		
- Automation Components	14 717	15 199
- Corporate	2 024	(839)
Total EBIT	**16 741**	**14 360**
Financial income (expense), net	186	(709)
Profit before income tax	**16 927**	**13 651**

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

(in CHF 1 000)	2017	2016
Assets		
- Automation Components	107 053	104 910
- Corporate	22 220	20 471
Total assets	**129 273**	**125 381**
Liabilities		
- Automation Components	32 031	31 283
- Corporate	2 075	2 695
Total liabilities	**34 106**	**33 978**

Geographical information

(in CHF 1 000)	Revenue from sale of goods by customer location 2016/17	2015/16
Switzerland	2 070	2 179
Italy	15 325	16 387
Other EMEA	72 103	68 097
Total EMEA	**89 498**	**86 663**
USA	19 287	18 058
Other North America	7 692	7 071
Total North America	**26 979**	**25 129**
Asia	18 957	18 362
Total Group	**135 434**	**130 154**

(in CHF 1 000)	Property, plant and equipment and intangible assets by location of assets 2017	2016
Switzerland	185	281
Italy	4 578	4 872
Other EMEA	9 401	9 772
Total EMEA	**14 164**	**14 925**
USA	123	150
Other North America	44	67
Total North America	**167**	**217**
Asia	2 779	2 695
Total Group	**17 110**	**17 837**

Revenues from external customers

The Group's revenues are derived from the sale of a wide range of products to external customers from a large variety of markets. As a single product can be used in many different applications, sales revenue may not be reasonably split into groups of products or markets. Consequently, detailed information about products sold is not available and the cost to develop it would be excessive.

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)	2016/17	2015/16
Wages and salaries	37 854	35 970
Post-employment benefit cost	809	1 041
Other social security cost	7 168	6 826
Other expenses	952	890
Total	**46 783**	**44 727**

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

7. Other operating income and expense

(in CHF 1 000)	2016/17	2015/16
Other operating income		
Net proceeds from arbitration award	2 351	–
Gain on sale of property, plant and equipment	65	33
Reversal of sundry claim costs	–	334
Other	151	161
Total other operating income	**2 567**	**528**
Other operating expense		
Loss on sale of property, plant and equipment	(9)	(1)
Personnel indemnity cost	(172)	(39)
Other	(272)	(193)
Total other operating expense	**(453)**	**(233)**
Total other operating income (expense), net	**2 114**	**295**

8. Financial income and expense

(in CHF 1 000)	2016/17	2015/16
Financial income		
Interest income on short-term bank deposits	32	39
Net foreign exchange gain	195	–
Total financial income	**227**	**39**
Financial expense		
Interest expense on borrowings	(41)	(53)
Net foreign exchange loss	–	(695)
Total financial expense	**(41)**	**(748)**
Total financial income (expense), net	**186**	**(709)**

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)	2016/17	2015/16
Net profit attributable to owners of Carlo Gavazzi Holding AG	**13 389**	**9 649**
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	6 029	4 345
Average number of shares outstanding	1 600 000	1 600 000
Basic and diluted earnings per registered share (CHF)	**3.77**	**2.72**
Bearer shares		
Net profit attributable to bearer shareholders	7 360	5 304
Average number of shares outstanding	390 710	390 710
Basic and diluted earnings per bearer share (CHF)	**18.84**	**13.58**

10. Dividends paid and proposed

Carlo Gavazzi Holding AG pays one dividend per financial year. The Annual General Meeting held on July 26, 2016, resolved to distribute a dividend for the financial year 2015/16, with value August 8, 2016, 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**	**8 529**

At the Annual General Meeting to be held on July 25, 2017, payment of the following dividend for 2016/17 will be proposed:

Dividend per registered share	CHF	3.00
Dividend per bearer share	CHF	15.00
Proposed dividend	**CHF 1 000**	**10 661**

11. Trade receivables

(in CHF 1 000)	2017	2016
Trade receivables	29 584	29 144
Less provision for impairment of receivables	(683)	(794)
Total	**28 901**	**28 350**

Movements in the provision for impairment of receivables

	2016/17	2015/16
Balance at April 1	**(794)**	**(759)**
Utilization of provision	202	125
Reversal of unused provision	23	16
Increase in provision	(118)	(155)
Foreign exchange effect	4	(21)
Balance at March 31	**(683)**	**(794)**

Ageing analysis of trade receivables (in CHF 1 000)

as at March 31, 2017	Total	Not impaired
Not overdue	23 981	23 981
Less than 1 month overdue	2 827	2 804
Between 1–3 months overdue	1 300	1 253
Between 3–6 months overdue	671	598
Between 6–12 months overdue	122	102
More than 12 months overdue	683	133
Total	**29 584**	**28 871**

as at March 31, 2016	Total	Not impaired
Not overdue	23 106	23 106
Less than 1 month overdue	2 872	2 862
Between 1–3 months overdue	1 612	977
Between 3–6 months overdue	634	418
Between 6–12 months overdue	259	176
More than 12 months overdue	661	2
Total	**29 144**	**27 541**

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

(in CHF 1 000)	2017	2016
EUR	14 226	13 968
USD	5 053	5 088
CNY	3 503	3 136
SEK	1 264	1 222
DKK	1 170	1 204
NOK	719	663
CAD	952	1 039
GBP	715	842
Other	1 299	1 188
Total	**28 901**	**28 350**

12. Other receivables

(in CHF 1 000)	2017	2016
Current		
VAT and other tax receivables	4 201	3 820
Other receivables	742	735
Prepaid expense	900	853
Total current	**5 843**	**5 408**
Non-current		
Other receivables	1 704	1 926
Total non-current	**1 704**	**1 926**
Total other receivables	**7 547**	**7 334**

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

(in CHF 1 000)	2017	2016
EUR	4 672	4 480
USD	1 674	1 734
CNY	648	611
Other	553	509
Total	**7 547**	**7 334**

All non-current receivables are due within five years from the end of the reporting period. No impairments were recognized on other receivables in 2016/17 (2015/16 none).

13. Inventories

(in CHF 1 000)	2017	2016
Raw materials and supplies	9 180	8 818
Work in progress	3 052	3 110
Finished goods	13 948	13 085
Inventories, gross	**26 180**	**25 013**
Less allowance for valuation	(4 463)	(4 674)
Total	**21 717**	**20 339**

The cost of inventories recognized as expense and included in cost of goods sold in 2016/17 amounted to CHF 60 636 (2015/16 CHF 57 629).

14. Property plant and equipment

(in CHF 1 000)	Land	Buildings	Leasehold improvements	Machinery and equipment	Furniture and fixtures	Motor Vehicles	IT equipment	Total
Historical cost								
Balance at April 1, 2015	84	1 158	4 853	35 632	3 040	2 363	4 843	51 973
Additions	–	–	306	2 536	113	457	289	3 701
Disposals	–	–	(4)	(3 460)	(136)	(328)	(340)	(4 268)
Currency translation differences	4	53	84	1 149	56	72	133	1 551
Reclassifications	–	–	(39)	53	(21)	(54)	60	(1)
Balance at March 31, 2016	**88**	**1 211**	**5 200**	**35 910**	**3 052**	**2 510**	**4 985**	**52 956**
Additions	–	–	116	1 844	79	369	346	2 754
Disposals	–	–	(14)	(91)	(23)	(360)	(158)	(646)
Currency translation differences	(1)	(23)	(99)	(708)	(27)	(46)	(82)	(986)
Reclassifications	–	–	14	(175)	165	(12)	9	1
Balance at March 31, 2017	**87**	**1 188**	**5 217**	**36 780**	**3 246**	**2 461**	**5 100**	**54 079**
Accumulated depreciation								
Balance at April 1, 2015	–	(515)	(3 119)	(29 436)	(2 644)	(1 441)	(4 380)	(41 535)
Annual depreciation	–	(26)	(390)	(1 818)	(131)	(397)	(267)	(3 029)
Depreciation on disposals	–	–	4	3 462	135	284	339	4 224
Currency translation differences	–	(17)	(80)	(1 050)	(64)	(48)	(119)	(1 378)
Reclassifications	–	2	(47)	23	4	43	(25)	–
Balance at March 31, 2016	–	**(556)**	**(3 632)**	**(28 819)**	**(2 700)**	**(1 559)**	**(4 452)**	**(41 718)**
Annual depreciation	–	(24)	(353)	(1 928)	(124)	(407)	(286)	(3 122)
Depreciation on disposals	–	–	7	90	22	324	158	601
Currency translation differences	–	11	66	570	29	29	73	778
Reclassifications	–	–	3	163	(144)	(3)	(19)	–
Balance at March 31, 2017	–	**(569)**	**(3 909)**	**(29 924)**	**(2 917)**	**(1 616)**	**(4 526)**	**(43 461)**
Net book value								
at March 31, 2016	88	655	1 568	7 091	352	951	533	11 238
at March 31, 2017	87	619	1 308	6 856	329	845	574	10 618
thereof acquired under finance leases								
at March 31, 2016	–	–	–	–	–	–	–	–
at March 31, 2017	–	–	–	–	–	–	–	–

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, 2015	6 135	1 968	8 103
Additions	–	138	138
Disposals	–	(99)	(99)
Currency translation differences	149	62	211
Balance at March 31, 2016	**6 284**	**2 069**	**8 353**
Additions	–	128	128
Disposals	–	–	–
Currency translation differences	(64)	(35)	(99)
Balance at March 31, 2017	**6 220**	**2 162**	**8 382**
Accumulated amortization			
Balance at April 1, 2015	–	(1 599)	(1 599)
Annual amortization	–	(195)	(195)
Amortization on disposals	–	99	99
Currency translation differences	–	(59)	(59)
Balance at March 31, 2016	**–**	**(1 754)**	**(1 754)**
Annual amortization	–	(163)	(163)
Amortization on disposals	–	–	–
Currency translation differences	–	27	27
Balance at March 31, 2017	**–**	**(1 890)**	**(1 890)**
Net book value			
at March 31, 2016	6 284	315	6 599
at March 31, 2017	6 220	272	6 492

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, 2017 and 2016 at this level. No impairment charge arose.

The recoverable amount of the group of cash-generating units 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, 2017 and March 31, 2016. A decrease in projected growth rate after the year 2019/20 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. Pre-tax discount rates of between 5.0% and 8.0% were applied at March 31, 2017, and between 5.0% and 8.0% at March 31, 2016. 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)	2017	2016
Current		
VAT payable	1 810	1 595
Payables to employees	624	499
Payables to social security institutions	769	786
Other payables	449	549
Advances	–	21
Accrued warranty costs	1 078	1 039
Accrued sundry claim costs	219	11
Accrued personnel expense	7 494	7 076
Other accrued expense	1 313	1 471
Total current	**13 756**	**13 047**
Non-current		
Other payables	101	107
Accrued personnel expense	1 226	1 388
Total non-current	**1 327**	**1 495**
Total other payables	**15 083**	**14 542**

17. Borrowings

(in CHF 1 000)	2017	2016
Current		
Bank overdrafts	–	26
Bank loans	–	–
Other loans	86	85
Leasing obligations	–	–
Total current	**86**	**111**
Non-current		
Bank loans	–	–
Other loans	–	87
Leasing obligations	–	–
Total non-current	–	**87**
Total borrowings	**86**	**198**

The Group's borrowings at the end of the reporting periods mature as follows:

(in CHF 1 000)	2017	2016
Less than 1 year	86	111
Between 1–3 years	–	87
Between 3–5 years	–	–
More than 5 years	–	–
Total	**86**	**198**

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

(in CHF 1 000)	2017	2016
EUR	86	198
CNY	–	–
Total	**86**	**198**

18. Employee benefit obligations

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

(in CHF 1 000)	2017	2016
Present value of funded obligations	7 089	7 651
Fair value of plan assets	(4 968)	(4 986)
Underfunding	**2 121**	**2 665**
Present value of unfunded obligations	4 865	4 697
Total	**6 986**	**7 362**

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

(in CHF 1 000)	2016/17	2015/16
Balance at April 1	**12 347**	**12 194**
Current service cost	486	519
Contributions from plan participants	86	92
Interest cost	124	122
Actuarial losses (gains)	(185)	(114)
Benefits paid	(558)	(632)
Past service cost	(259)	–
Settlements and curtailments	–	–
Exchange differences	(86)	166
Balance at March 31	**11 955**	**12 347**

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

(in CHF 1 000)	2016/17	2015/16
Balance at April 1	**4 986**	**4 791**
Contributions from employer	204	224
Contributions from plan participants	86	92
Interest income	29	30
Actuarial gains (losses)	85	125
Benefits paid	(380)	(247)
Change due to plan combinations	(41)	–
Administrative expense	(5)	(5)
Exchange differences	4	(24)
Balance at March 31	**4 968**	**4 986**

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)	2016/17	2015/16
Defined benefit plans	327	617
Defined contribution plans	482	424
Total	**809**	**1.041**

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

(in CHF 1 000)	2016/17	2015/16
Defined benefit plans		
Current service cost	486	519
Interest cost, net	124	122
Return on plan assets (expected)	(29)	(30)
Administrative expense	5	5
Past service cost	(259)	–
Amortization of net gain (loss)	–	1
Curtailment loss (gain) recognized	–	–
Total defined benefit plans	**327**	**617**
Defined contribution plans		
Employer contributions	482	424
Total defined contribution plans	**482**	**424**
Total	**809**	**1 041**

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

(in CHF 1 000)	2016/17	2015/16
Actuarial gains (losses)		
– arising from changes in demographic assumptions	–	(149)
– arising from changes in financial assumptions	72	332
– arising from plan experience	113	(68)
– arising from revaluation of assets	111	114
– Return on plan assets (excl. amounts in net interest)	(26)	11
Total	**270**	**240**

During the next financial year the Group expects cash provisions to defined benefit plans to amount to CHF 205.

The weighted average duration of the defined benefit obligation is 15 years.

The principal weighted average actuarial assumptions are as follows:

	2016/17	2015/16
Discount rate	1.12%	1.05%
Inflation rate	1.26%	1.25%
Future salary increases	1.87%	1.82%
Future pension increases	1.12%	1.06%

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	(183)	194
Inflation rate	42	(30)
Future salary increases	53	(48)
Future pension increases	90	(16)

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 table BVG 2015 GT.

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

Pension plan assets are allocated to the following categories:

	2017	2016
Cash and cash equivalents	1.38%	2.01%
Equity instruments	28.97%	25.63%
Debt instruments	46.36%	50.42%
Property	11.29%	11.71%
Other	12.00%	10.23%
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 governing body determines 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.

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, 2015	**412**	**177**	**589**
Additions	–	–	–
Utilization	–	–	–
Reversal of unused provision	–	(23)	(23)
Currency translation differences	13	7	20
Balance at March 31, 2016	**425**	**161**	**586**
Additions	–	–	–
Utilization	–	–	–
Reversal of unused provision	–	(40)	(40)
Currency translation differences	(10)	(4)	(14)
Balance at March 31, 2017	**415**	**117**	**532**

20. Income taxes

Income tax expense is as follows:

(in CHF 1 000)	2016/17	2015/16
Current income taxes	3 804	3 376
Adjustments in respect of prior periods	133	541
Deferred taxes	(399)	85
Total	**3 538**	**4 002**

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)	2016/17	2015/16
Profit before income tax	**16 927**	**13 651**
Average tax rate	23.83%	24.32%
Expected income tax expense	**4 034**	**3 320**
Effect of non-tax-deductible expense	185	149
Effect of non-taxable income	(651)	(511)
Increase in unrecognized tax losses	–	–
Utilization of previously unrecognized tax losses	(395)	(115)
Adjustments in respect of prior periods	133	541
Taxes not directly related to income	182	171
Other	50	447
Effective income tax expense	**3 538**	**4 002**

Variations in the average tax rate depend on the breakdown of results among the various entities and tax jurisdictions. The average tax rate remained stable in comparison with 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)	2017	2016
Trade receivables	(99)	(33)
Inventories	1 871	1 589
Property, plant and equipment (non-current)	349	275
Intangible assets	(66)	(78)
Other assets	48	71
Other payables	1 818	1 655
Tax loss carry-forwards	846	1 228
Net deferred tax assets (liabilities)	**4 767**	**4 707**
of which reported in the balance sheet as:		
Deferred income tax assets	4 932	4 818
Deferred income tax liabilities	(165)	(111)

For tax return purposes, certain subsidiaries have tax loss carry-forwards of CHF 4 281 (2016 CHF 6 370), none of which has an expiration date.

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 Group did not recognize deferred income tax assets of CHF 302 (2016 CHF 546) in respect of losses amounting to CHF 1 125 (2016 CHF 1 960) which can be carried forward against future taxable income. None of the tax loss carry-forwards has an expiration date.

21. Share capital

The share capital of Carlo Gavazzi Holding AG at March 31, 2017 amounts to CHF 10 661 (2016 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 (2016: 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 (2016: 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, 2017 and 2016, the Group held no own shares.

22. Commitments and contingencies

Guarantees and sureties

The Group has guaranteed the debt to banks and other third parties on behalf of consolidated subsidiaries to cover banking facilities amounting to CHF 1 500 (2016 CHF 1 520). 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.

Leasing, rental and other commitments

Non-cancellable operating lease commitments for the Group not recognized in the balance sheet are as follows:

(in CHF 1 000)	2017	2016
Less than 1 year	2 640	2 525
Between 1–5 years	6 919	7 050
More than 5 years	1 211	1 288
Total	**10 770**	**10 863**

The Group rents various offices, factories and warehouses under non-cancellable operating lease agreements for periods not exceeding ten years. Most of these contracts are renewable. Rental expense under operating leases amounted to CHF 2 731 (2015/16 CHF 2 381), whereas rental income under subleases amounted to CHF 39 (2015/16 CHF 36).

Pending legal cases

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

23. Related party transactions

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

Key management compensation

Key management consists of members of Board of Directors and members of Executive Management. The compensation paid or payable to key management (all for short-term benefits), including employer's social security contributions, amounted to CHF 1 237 (2015/16 CHF 1 201).

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

24. Events after the balance sheet date

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

25. Subsidiaries

At March 31, 2017 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, Helsinki, Finland	EUR	50
	100%		CARLO GAVAZZI Sàrl, Roissy, France	EUR	274
	100%		CARLO GAVAZZI GmbH, Darmstadt, Germany	EUR	500
	100%		CARLO GAVAZZI UK Ltd, Aldershot, 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, Mexico City, Mexico	MXN	1 328
	99%		CARLO GAVAZZI Mexico SA de CV, Mexico City, Mexico	MXN	1 328
	100%		CARLO GAVAZZI Automação Ltda, Sao Paulo, Brazil	BRL	3 134
100%			CARLO GAVAZZI INTERNATIONAL NV, Willemstad, Curaçao	CHF	24 000
100%			CARLO GAVAZZI SERVICES AG, Steinhausen, Switzerland	CHF	500

There were no major changes in principal subsidiaries held by the Group during the years ended March 31, 2017 and 2016. In all cases, the voting rights in the subsidiaries are the same as the percentages of shares held.

Report of the Statutory Auditor

Report of the statutory auditor

to the General Meeting of Carlo Gavazzi Holding AG

Steinhausen

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Carlo Gavazzi Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 39 to 71) give a true and fair view of the consolidated financial position of the Group as at 31 March 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

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

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

Our audit approach

Overview

Overall Group materiality: CHF 840'000

- We concluded full scope audit work at 25 reporting units in 19 countries

- Our audit scope addressed over 85% of the Group's revenue

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

- Valuation of inventory

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Report of the Statutory Auditor

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Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated 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 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.

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 840'000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 42'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Valuation of inventory

Key audit matter	*How our audit addressed the key audit matter*
The valuation of inventory is considered as a key audit matter due to the size of inventory but also the nature of the judgements made by management when assessing the level of provision for write-downs.	In assessing the reasonableness of management's assessment we performed the following audit procedures:

Report of the Statutory Auditor

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We refer to page 50 (significant accounting and valuation policies) and page 62 (note 13 inventories).

- We gained an understanding of management's processes and tested the key controls associated with inventory cost price and margin data.
- We assessed the appropriateness of the methodology used to calculate the provisions held against inventory.
- We assessed the reasonableness of management's assumptions and verified the model for mathematical accuracy.
- We tested that the inventory values do not exceed the net realisable value by selecting samples and comparing the actual sales value to the value held in inventory.

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

Report of the Statutory Auditor

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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 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

Bruno Häfliger	Daniel Wyss
Audit expert Auditor in charge	Audit expert

Zug, 21 June 2017

Financial Statements

for the years ended March 31, 2017 and 2016

Statements of Income

for the years ended March 31

(in CHF 1 000)	Notes	2017	2016
Income			
Dividend income		8 743	9 172
Other financial income		1	1
Total income		**8 744**	**9 173**
Expenses			
Personnel expense	6	(307)	(354)
Other operating expense		(76)	(107)
Total expenses		**(383)**	**(461)**
Profit before taxes		**8 361**	**8 712**
Direct taxes		(2)	(3)
Profit for the year		**8 359**	**8 709**

See notes to financial statements

Balance Sheets

at March 31

(in CHF 1 000)	Notes	2017	2016
Assets			
Current assets			
Cash and cash equivalents		19 017	19 198
Other accounts receivable - third parties		1	-
Other accounts receivable - subsidiaries		91	112
Total current assets		**19 109**	**19 310**
Non-current assets			
Investments in subsidiaries	2	65 636	65 636
Total non-current assets		**65 636**	**65 636**
Total assets		**84 745**	**84 946**
Liabilities and shareholders' equity			
Current liabilities			
Other short-term liabilities - third parties		11	15
Other short-term liabilities - subsidiaries		-	6
Provisions - taxes		2	2
Accrued expenses		367	388
Total current liabilities		**380**	**411**
Total liabilities		**380**	**411**
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		54 837	54 837
Available earnings - profit brought forward		8 320	8 140
Available earnings - profit for the year		8 359	8 709
Total shareholders' equity		**84 365**	**84 535**
Total liabilities and shareholders' equity		**84 745**	**84 946**

See notes to financial statements

Statements of Changes in Available Earnings and Reserves

(in CHF 1 000)

Available earnings	
Balance March 31, 2015	**16 669**
Dividend paid	(8 529)
Profit for the year 2015/16	8 709
Balance March 31, 2016	**16 849**
Dividend paid	(8 529)
Profit for the year 2016/17	8 359
Balance March 31, 2017	**16 679**

Proposal of the Board of Directors for 2016/17 regarding appropriation of available earnings

Distribution of dividend	
- 1 600 000 registered shares at CHF 3.00 per share	4 800
- 390 710 bearer shares at CHF 15.00 per share	5 861
To be carried forward	6 018
Available earnings per balance sheet	**16 679**

Notes to the Financial Statements

at 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 25 to the Consolidated Financial Statements. Investments in susidiaries 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.

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 (2016: 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 (2016: 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, 2017	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)	*	–	263	–	263

at March 31, 2016	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)	*	–	192	–	192

Notes to the Financial Statements

(*) At March 31, 2017 and 2016, Valeria Gavazzi, Chairman, personally owns nil bearer shares and nil registered shares. In addition, Valeria Gavazzi indirectly controls 1 469 350 registered shares and 834 bearer shares with 41.47% of the share capital and 73.85% of the voting rights.

In addition, at March 31, 2017 and 2016, the mother, Uberta Gavazzi, Zug, owns 94 000 registered shares and 4 495 bearer shares (corresponding to 3.28% of the share capital and 4.95% of the voting rights).

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

Shareholdings of members of Group Management
At March 31, 2017 and 2016, the members of Group Management held no shares in the Company.

5. Securities, guarantees and pledges

Guarantees issued in favour of subsidiary companies and affiliates amounted to CHF 1 500 (2016 CHF 1 520).

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 balance sheet as at 31 March 2017, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 77 to 82) as at 31 March 2017 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

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.

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.

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Report of the Statutory Auditor

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Overall materiality	CHF 400'000
How we determined it	0.5% of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the benchmark against which the performance of the entity is most commonly measured, and is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 20'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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 of the Statutory Auditor

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Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Bruno Häfliger	Daniel Wyss
Audit expert Auditor in charge	Audit expert

Zug, 21 June 2017

Group Companies

Group

Headquarters

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

Automation Components

Headquarters

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www.kalt.ch

Portraits
Markus Senn, Horgen, Switzerland
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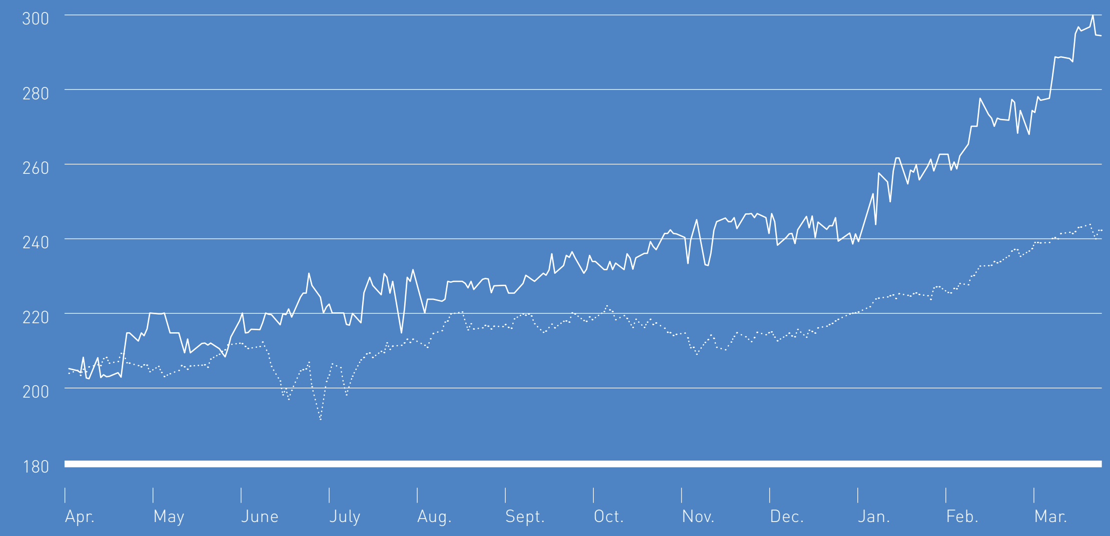
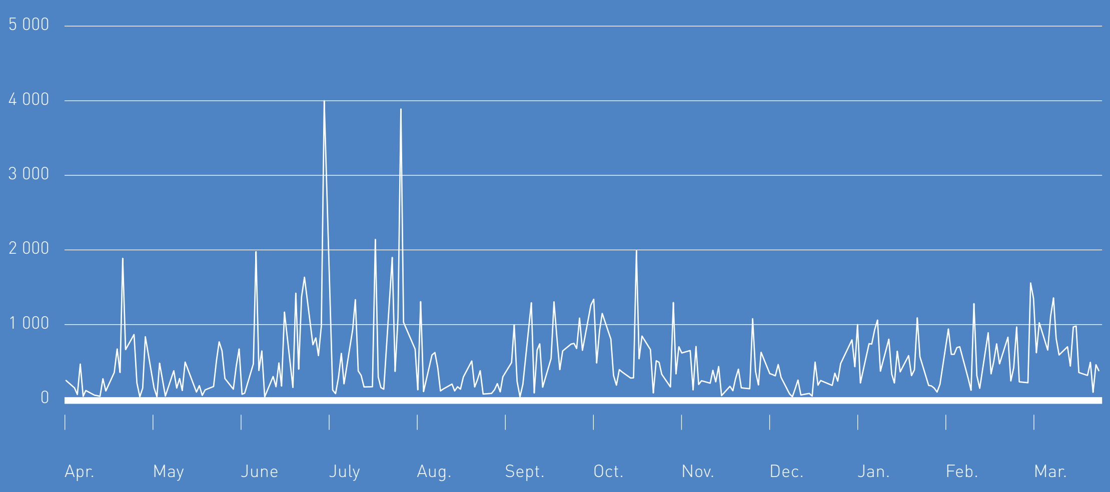
Information for Investors

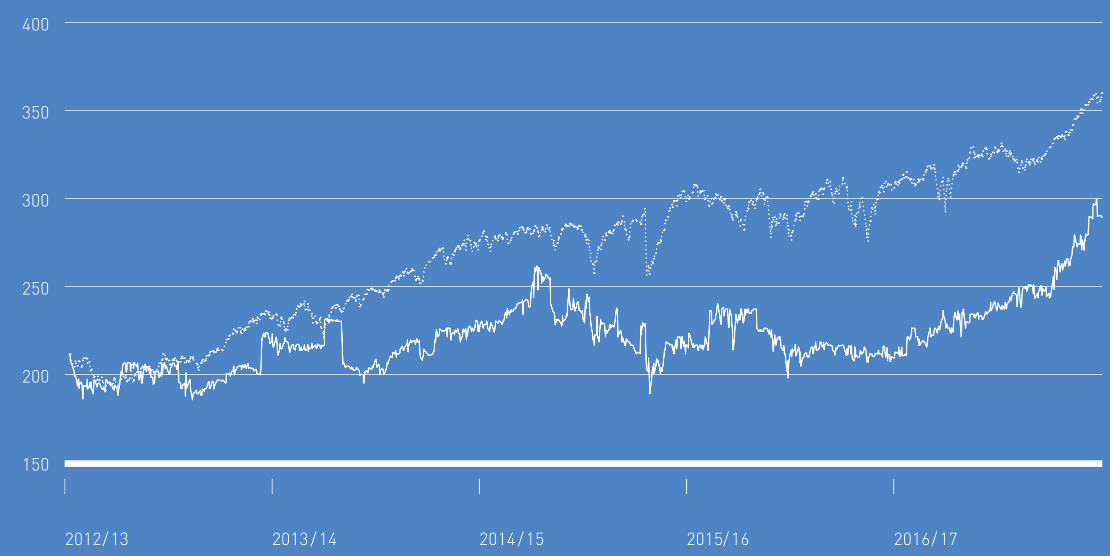
Share price
1.4.2016-
31.3.2017
(CHF)



Share volume
1.4.2016-
31.3.2017
(Number)



Share price
1.4.2012-
31.3.2017
(CHF)



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

Information for Investors

		2016/17	2015/16	2014/15	2013/14	2012/13
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	**289**	211	214	229	214
Share price - high	CHF	**300**	239	261	230	222
Share price - low	CHF	**209**	196	187	193	184
Average daily volume	Number	**509**	503	564	611	486
P/E Ratio	Factor	**15.4**	15.5	12.4	14.6	12.2
Basic earnings per share	CHF	**18.8**	13.6	17.3	15.7	17.6
Book value per share	CHF	**134**	129	125	131	142
Stock market capitalization	CHF 1 000	**205 395**	149 960	152 092	162 753	152 092
- in percentage of revenue	%	**151.7**	115.2	110.9	115.8	109.9
- in percentage of equity	%	**215.8**	164.1	171.9	174.5	150.2
Dividend per share (ordinary)	CHF	**15.0***	12.0	12.0	12.0	10.0
- dividend yield	%	**5.2***	5.7	5.6	5.2	4.7
- total pay-out	CHF 1 000	**10 661***	8 529	8 529	8 529	7 107
- pay-out ratio	%	**79.6***	88.4	69.5	76.5	56.5
Dividend per share (extraordinary)	CHF	-	-	-	-	15.0
- dividend yield	%	-	-	-	-	7.0
- total pay-out	CHF 1 000	-	-	-	-	10 661
- pay-out ratio	%	-	-	-	-	84.9

*Proposal of the board of directors

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

Financial calendar

Shareholders' meeting 2016/17:	July 25, 2017
Interim report 2017/18:	November 23, 2017
Press and financial analysts' meeting 2017/18:	June 28, 2018
Shareholders' meeting 2017/18:	July 31, 2018

Information for Investors

CARLO GAVAZZI

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