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80 CARLO GAVAZZI 1931–2011

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Media Information

Carlo Gavazzi: stable net income of CHF 7 million in first half of 2011/12 business year

- **Operating revenues of CHF 74 million (1st half 2010/11: CHF 90.8 million)**
- **Sales influenced by currency effect (-10.7%) and lower demand for renewable energy products (-7.8%)**
- **Traditional units Industrial Automation and Building Automation grew above 5% in local currencies**
- **Double-digit increase in North-America (+21.2%) and Asia-Pacific (+10.4%)**
- **Gross margin increased 4.4 percentage points to 55.8%**
- **Net income of CHF 7.1 million at level of previous year (CHF 7.5 million)**
- **Net cash position of CHF 38.2 million despite dividend payment**
- **Aim is to achieve net income in the 2nd half year at least at the level of the 1st half year**

Steinhausen, November 22, 2011 **– Zug-based electronics group Carlo Gavazzi reports operating revenues of CHF 74.0 million and a net income of CHF 7.1 million for the first half of the 2011/12 financial year. Sales in CHF terms were substantially lower due to the -10.7% currency effect. Following the reduction of feed-in tariffs in various European countries, demand for renewable energy products was significantly lower, contributing a further 7.8% to the decline. Revenues from the renewable energy markets had been particularly strong in the first half of the previous year. Operating revenues for all other product lines worldwide and in all regions outside Europe remained stable or increased by single or double-digit rates versus the first half of 2010/11. Without the renewable energy business, the overall book-to-bill ratio reached 100.7% (98.4% including renewable energy).**

Gross margin improved - stable net income

Due to the effective and efficient management of manufacturing costs and the entire supply chain, the gross margin increased by 4.4 percentage points to 55.8% of sales compared to the first half of last year. This increase compensated for the volume reduction, so that the gross profit in local currencies remained unchanged, reaching CHF 41.3 million.

Following continued investments in the build up of a strong sales network, mainly in fast growing markets, the Group's operating profit (EBIT) decreased by 16.2% to CHF 9.3 million.

Thanks to solid growth from the core product lines, rigid cost management and because the Group's main cost base is in the Eurozone, Carlo Gavazzi achieved a net income of CHF 7.1 million (versus CHF 7.5 million last year). Cash flow remained high at CHF 9.0 million (versus CHF 9.7 million last year).

Notwithstanding the payments of the (ordinary and jubilee) dividend of CHF 17.8 million in August, the Group has a solid net cash position of CHF 38.2 million, the same as at the end of the first semester last year. Despite generally weak stock markets and a total dividend payment of CHF 25 per share, the price of the Carlo Gavazzi bearer share decreased by less than 4%, thereby significantly outperforming the SPI Extra index which declined by 21%.

Increasing share of sales in Asia-Pacific and North America

European sales in both core businesses, Building (+1.6%) and Industrial Automation (+4.6%), grew at single digit rates. Overall revenues in Europe were impacted by regulatory events in the renewable energy field in Germany, Spain and Italy, leading to a decline of 11.8% in local currency.

Thanks to dynamic growth rates in markets such as China, Taiwan and Mexico, sales in local currencies in both the Asia-Pacific and North America region increased by 10.4% and 21.2%, respectively.

Geographical revenue distribution continues to broaden as planned: the share of sales outside Europe has expanded from 21% last year to 25.5% to which North America and Asia-Pacific contributed 14.9% and 10.6% respectively.

Policy changes affect sales in renewable energy sector - solid development of traditional segments

Sales in Carlo Gavazzi's two key areas, Building and Industrial Automation, grew by more than 5% compared to the same period last year, while in Renewable Energy changes in government policy and the build up of stock at various stages of the supply chain led to a shift from a growing to a stagnant market.

Among Carlo Gavazzi's priority markets, Heating, Ventilation & Air Conditioning (HVAC, +17%) and Plastic & Rubber (+11%) both grew at double digit rates. Traditional energy management confirmed its status as a solid source of revenue. Thanks to Carlo Gavazzi's comprehensive product range, sales in this segment increased by more than 15% versus last year. In particular, MID certification supported the growth of the EM10 energy meter; moreover, full implementation of this certification across the whole product family is expected to further support the penetration in the energy market.

Overall, sales of sensors were in line with the same period last year, while capacitive sensors grew by more than 10% thanks to several specific initiatives with OEM customers in both the Plastic & Rubber and the Agriculture markets. The new generation of wireless safety edges for industrial doors will support further expansion into Building Automation markets.

Sales of solid state relays grew by almost 15% versus last year thanks to specific actions taken within the HVAC and Plastic & Rubber markets. In the near future, the expansion of the soft starter range dedicated to compressors will drive further development in the HVAC market.

Fieldbus revenues were up by more than 50% versus last year, driven by the successful business development in car parking solutions on a worldwide basis.

Revenues from safety relays and signaling devices for railways were in line with the same period of last year.

Outlook

The company's outstanding 2010/11 figures were partly the result of subsidies in certain market segments, particularly in the first half of the fiscal year, while sales in the second half were driven more by momentum in the traditional industrial and building automation markets. Going forward, the development of the world economies and the major currencies as well as the environment regarding subsidies for renewable energy applications are expected to remain very challenging.

In Europe, business is being affected by both the uncertain financial environment and the lower level of investment in the renewable energy market for the foreseeable future. Despite the global slowdown, prospects for North America and Asia-Pacific seem to be more positive.

In an overall slower-growing market, Carlo Gavazzi's efforts will be directed at increasing its market share by further expanding geographic coverage and developing the product portfolio. Focusing on cost and investment management and on improving operational efficiency, in the second half year, the company aims at achieving a net income at least at the level of the first half year.

Consolidated key figures

Income statement	**1. HY 2011/12**	1. HY 2010/11	%
Bookings	**72.8**	108.9	-33.1
Operating revenue	**74.0**	90.8	-18.5
EBITDA	**11.2**	13.3	-15.8
EBIT	**9.3**	11.1	-16.2
EBIT margin	**12.5%**	12.3%	-
Net income	**7.1**	7.5	-5.3
Cash flow	**9.0**	9.7	-7.2
Additions to fixed assets	**0.8**	1.3	-38.5
Balance	**30.9.2011**	31.3.2011	
Net working capital	**32.9**	29.8	+10.4
Net cash position	**38.2**	55.1	-30.7

For further information

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