CARLO GAVAZZI

Annual Report 2009/10

CARLO GAVAZZI

Energy to Components!

At a Glance
Five-Year Financial Summary

Five-Year Financial Summary

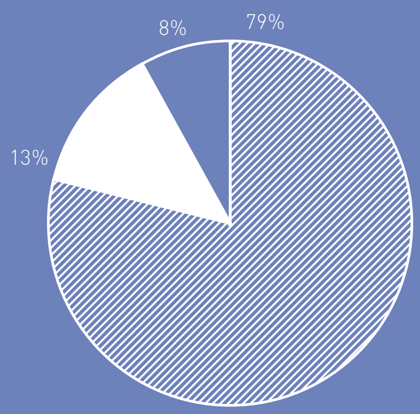
(CHF million)	**2010/09**	2008/09*	2007/08	2006/07**	2005/06
Bookings	**152.7**	172.7	228.2	221.6	216.8
Order backlog	**30.0**	29.0	49.5	50.8	44.9
Operating revenue	**149.9**	174.9	223.4	215.7	216.5
Gross profit	**81.7**	91.7	109.4	100.9	94.5
EBITDA	**16.9**	20.2	31.3	25.0	19.9
EBIT	**13.0**	16.2	26.7	20.2	15.6
Earnings before taxes	**12.8**	17.0	23.7	19.0	15.7
Net income from continuing operations	**8.0**	12.2	16.8	14.9	12.2
Net income including					
discontinued operations		8.0		11.5	
Cash flow***	**13.0**	17.9	23.6	18.8	15.5
Depreciation	**3.9**	4.0	4.7	4.8	4.3
Additions to fixed assets	**3.6**	4.0	4.3	5.1	5.4
Accounts receivable	**37.2**	37.3	55.5	59.3	63.1
Inventories	**25.9**	28.0	31.2	40.4	32.7
Net working capital	**30.8**	43.2	47.3	58.7	52.3
Current assets	**117.8**	116.7	124.6	126.8	128.7
Fixed assets, net	**13.3**	14.4	16.5	23.2	23.9
Intangible assets, net	**23.2**	23.7	28.6	29.7	33.8
Interest-bearing debt, net	**-44.4**	-29.7	-21.1	7.2	-5.1
Current liabilities	**40.9**	41.8	53.4	71.3	66.3
Long-term liabilities	**6.8**	7.7	9.9	11.9	13.2
Shareholders' equity	**107.9**	106.9	107.9	98.9	111.6
Total liabilities and shareholders' equity	**155.6**	156.4	171.1	182.2	191.2
Number of employees (average)	**975**	1 040	1 204	1 192	1 126

*Not comparable with previous periods due to discontinuance of the Computing Solutions Business Unit
**Not comparable with previous periods due to discontinuance of the Channel Access Fulfilment activity
***Net income + depreciation + amortisation + change in provisions – gain (loss) on sale of investments or assets

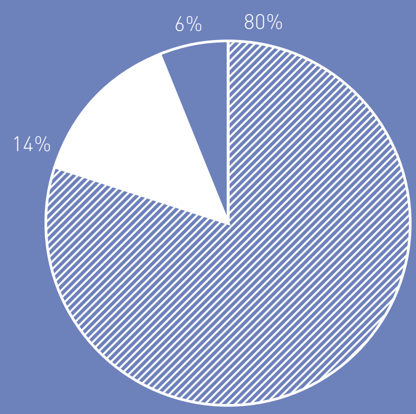
At a Glance

(CHF million)	2009/10	2008/09	%
Bookings	**152.7**	172.7	-11.6
Operating revenue	**149.9**	174.9	-14.4
EBITDA	**16.9**	20.2	-16.3
EBIT	**13.0**	16.2	-19.8
Earnings from continuing operations	**8.0**	12.2	-34.4
Loss from discontinued operations	**-**	-4.2	-
Net income	**8.0**	8.0	-
Cash flow	**13.0**	17.9	-27.4
Shareholders' equity	**107.9**	106.9	+0.9
ROE	**7.5%**	7.5%	-
ROCE	**20.5%**	21.0%	-

Revenue distribution by geographical region



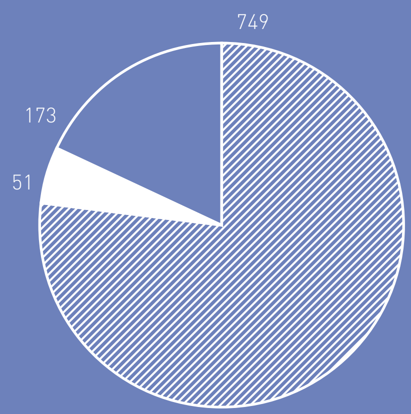
2009/10



2008/09

- EMEA
- NORTH AMERICA
- ASIA

Distribution of employees by geographical region



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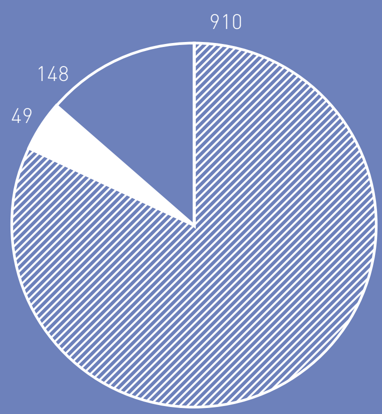


2008/09

Annual Report 2009/10

AUFGENOMMEN IM BUCH
AUS BESTER FAMILIE
SCHWEIZER STANDARDS
CARLO GAVAZZI
100 VORBILDLICHE SCHWEIZER FAMILIENUNTERNEHMEN 2010

Index

Carlo Gavazzi is an international group active in design, manufacture and marketing electronic equipment targeted at the global markets of factory and building automation.

Corporate

Letter to the Shareholders

Dear Shareholders,

Since the divestiture of the US-based Computing Solutions Business Unit, the group focuses now on its original activities: the designing, manufacturing and marketing of state-of-the-art components for the building and factory automation sectors.

Despite the ongoing difficult environment with weak demand from the automation industry, Carlo Gavazzi achieved a satisfactory result in the reporting period and again confirmed its ability to secure a solid bottom line for its shareholders.

In the first half-year, both bookings and operating revenue decreased by 20% compared with the same period of the previous year. As stated already in relation to the first six months of the year, during the second semester, the expected sales trend was more than positive and led to a recovery of both bookings and revenue. The overall decrease of sales for the whole year was 11% in local currency.

The monitoring of production efficiency and adaptations to the customer base mix (industrial customers were more impacted than the average customers) resulted in an improvement of the gross profit margin from 52.4% to 54.5% of revenue. Despite the unchanged set-up of the sales, marketing and R&D organization, the decrease of operating expenses amounted to 5.9% versus last year. Thanks to major operational actions and improvements in the factories realized during the year, EBIT reached a level of 8.7% of revenue, showing the strong ability of this company to adapt rapidly to continuous changing and challenging economic scenarios.

The decrease in demand was similar across whole Europe.

In North America the decrease versus last year was higher than in Europe despite the implemented sales and marketing initiatives. In November 2009 a new sales company was established in Mexico to better exploit the local market opportunities. The Mexican sales company commenced operations in the last quarter of the reporting period.

Sales in Asia-Pacific increased by 20% compared with the previous year thanks to a consistent growth across the key countries in the area. Moreover, in China the new branch offices in Wuhan and Guangzhou were set up to obtain better geographical coverage. Our success in those regions confirms the validity of our strategy, which will be pursued strongly also during the coming years.

All the product lines incurred a significant decrease versus last year with the exception of energy management products where sales grew around 40%. The trend of the whole basket of priority market segments was aligned to the overall market development. Among the selected markets, the business experienced a relevant sales growth in the renewable energy market, while building automation sales activities were impacted negatively by HVAC (heating, ventilation, air conditioning) market segment demand.

The traditional industrial automation markets were also impacted by the general economic environment and the related sales were around 20% below the same period of the previous year.

Even though the future development of the automation market is uncertain, however, since the beginning of the second half of the year, the demand in energy-related markets provided management with positive signals leading to expectations of resilient growth, partially driven by the strong subsidy policies of some countries for energy saving and the renewable energy markets.

The commitment to develop new products and the effort of identifying new niche markets is ongoing. For all the above reasons, positive results will be sought after continuously. Moreover, the implementation of a strong plan towards coverage of other regions in South America and Asia-Pacific represents a strength in facing the new year properly.

The financial structure of the group remains very sound with a net cash position of CHF 44.4 million at March 31, 2010 (CHF 29.7 million at March 31, 2009) and an unused leverage capability. The company is constantly screening potential acquisitions that should complement its product portfolio for further growth and which also would represent an opportunity economically.

Carlo Gavazzi's share price increased during the year from CHF 90 to CHF 150, therefore growing by 66.7%.

The board of directors will propose to the forthcoming annual shareholders' meeting the payment of a dividend of CHF 5.00 per bearer share, corresponding to a pay-out ratio of 44% of net income.

We wish to thank our managers and employees for their commitment and motivation, more valuable now than ever before and rightfully expressed by the appreciation awarded to the company by being named this year among the 100 best family-controlled companies in Switzerland. Therefore, sincere thanks also go to our customers and shareholders who keep showing confidence in our group.

Valeria Gavazzi
Chairman

Giovanni Bertola
Vice-Chairman

Review of Operations

Structure
Since the disposal of the business and net assets of the former Computing Solutions Business Unit, where the transaction was completed and the cash consideration received on April 1, 2009, the group now consists solely of our original 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. Compared with the previous year, the Euro weakened against the Swiss franc. The negative currency effect for the group amounted to 3.5% on bookings and operating revenue. 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 decreased by CHF 20.0 million or 11.6% (8.1% adjusted for currency effect) from CHF 172.7 million to CHF 152.7 million. Bookings exceeded revenue by CHF 2.8 million for a book-to-bill ratio of 1.02. Group order backlog at year-end amounted to 20.0% of operating revenue, corresponding to work-on-hand of 2.5 months.

Operating revenue
Consolidated revenue decreased by CHF 25.0 million or 14.4% (11.0% adjusted for currency effect) from CHF 174.9 million to CHF 149.9 million.

Gross profit margin
The gross profit margin improved by 2.1 percentage points from 52.4% to 54.5% in the reporting period despite the revenue decline.

Operating expenses
Operating expenses as a percentage of operating revenue amounted to 44.1% compared with 42.2% in the previous year. Operating expenses, consisting of selling, general, administrative and R&D expenses, decreased by CHF 7.7 million or 10.4% from CHF 73.9 million to CHF 66.2 million. Investments in sales, marketing and R&D personnel were reduced only slightly due to the sales decrease. Other expense (income), net, of CHF 2.6 million included personnel indemnity costs of CHF 1.0 million and various claim costs of CHF 1.0 million, whereas the previous year's total of CHF 1.6 million, net, included personnel indemnity costs of CHF 1.7 million.

EBIT
EBIT decreased by CHF 3.2 million or 19.8% from CHF 16.2 million to CHF 13.0 million. As a percentage of operating revenue, it amounted to 8.7%, compared with 9.3% in the previous year.

Net interest amounted to CHF 0.1 million compared with interest income of CHF 0.6 million in the previous year. This year, there was an exchange loss of CHF 0.2 million compared with a gain of CHF 0.6 million in the previous year, resulting mainly from currency movements between the Euro and the US dollar. The nominal tax rate increased by 8.8% percentage points from 28.2% to 37.0%.

Net income

Net earnings from continuing operations decreased by CHF 4.2 million from CHF 12.2 million to CHF 8.0 million. However, compared with the net income in the previous year of CHF 8.0 million after deducting the loss from discontinued operations of CHF 4.2 million, the bottom line showed no deterioration.

Earnings per share amounted to CHF 11.32 compared with CHF 17.26 in the previous year before discontinued operations and CHF 11.25 after deducting discontinued operations. Return on equity remained stable at 7.5% while return on capital employed decreased only marginally from 21.0% to 20.5%.

Balance sheet and cash flow

Trade accounts receivable, net, increased by CHF 0.2 million from CHF 34.5 million to CHF 34.7 million, corresponding to a collection period of 80 days compared with 84 days in the previous year. Inventories decreased by CHF 2.9 million from CHF 28.0 million to CHF 25.9 million, corresponding to a 2.7 turnover rate. Net working capital decreased by CHF 12.4 million from CHF 43.2 million to CHF 30.8 million. The net cash position during the year reached CHF 44.4 million compared with CHF 29.7 million in the previous year.

Shareholders' equity increased from CHF 106.9 million to CHF 107.9 million or 69.3% of total assets, after net income of CHF 8.0 million, translation losses of CHF 3.6 million, payment of dividends of CHF 3.6 million and a decrease in own shares of CHF 0.2 million.

Cash flow from operating activities before net working capital changes amounted to CHF 13.0 million, a decrease of CHF 4.9 million over the previous year. Cash flow from operating activities including changes in net working capital decreased by CHF 5.7 million from CHF 20.2 million to CHF 14.5 million. Taking into account net capital expenditure of CHF 3.6 million and proceeds from the sale of the net assets of Computing Solutions of CHF 8.6 million, free cash flow increased by CHF 3.2 million from CHF 16.3 million to CHF 19.5 million.

Group Profile

Our mission
Carlo Gavazzi is an international group active in design, manufacture and marketing electronic control components targeted at the global markets of factory and building automation.

Our structure
Under the umbrella of a publicly quoted holding company, headquartered in 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 holding's objectives as a businessman with strong entrepreneurial drive and responsibility.

Our objectives
To provide our customers with technologically innovative, high quality and competitive solutions, in compliance 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.

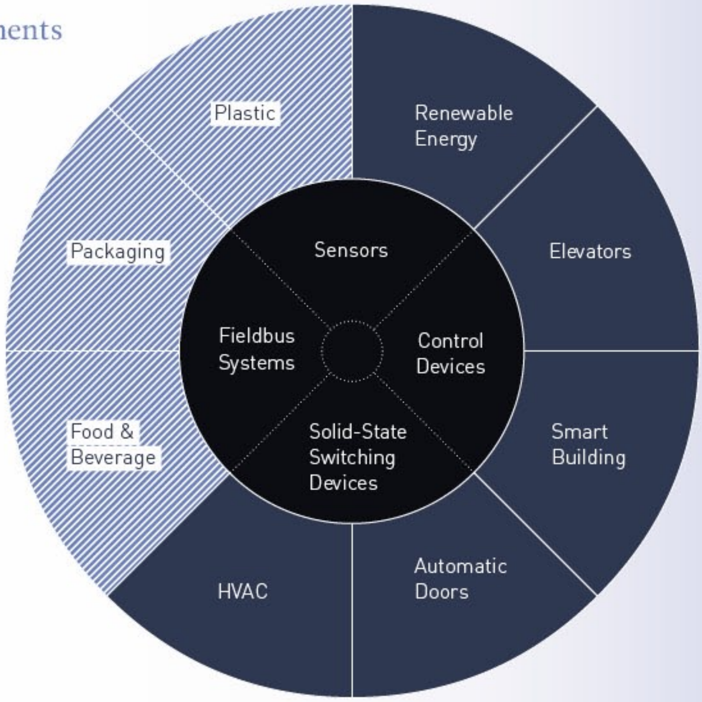
To mark clear leadership and integrity by doing what we say.

Our core activities
Automation Components
Designs and manufactures electronic control components for the global industrial automation markets in its ISO 9001 certified factories in Italy, Lithuania, Malta and the People's Republic of 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 factory and building automation markets. Typical customers are original equipment manufacturers of packaging machines, plastic-injection moulding 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 21 own sales companies and through more than 40 independent national distributors. In addition, the business unit designs and manufactures signalling equipment and safety relays for the Italian State Railways.

Our Strategy

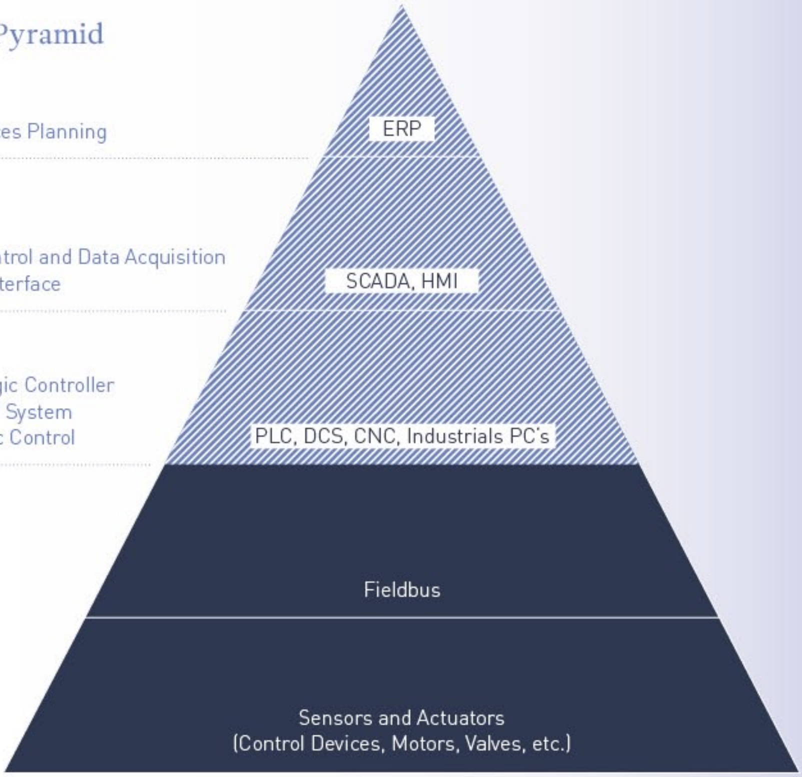
Solution-packages for the vertical market segments

Priority Market Segments



FACTORY
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

CORE BUSINESS

Management Level

Process Management

System Level

Data Highway

Field Level

Global Presence

★ R&D AND MANUFACTURING CENTRES
● LOGISTIC CENTRES
▼ SALES AND MARKETING
❋ INDEPENDENT DISTRIBUTORS

1 — North America
3 Sales companies
4 Area managers

2 — EMEA

3 R&D competence centres
3 Manufacturing facilities
2 Logistic centres
14 Sales companies
5 Regional offices

3 — Asia-Pacific

1 R&D competence centre
1 Manufacturing facility
1 Logistic centre
4 Sales companies
4 Regional offices

Corporate Governance

Carlo Gavazzi Group

Carlo Gavazzi is committed to the principles of good corporate governance. The company 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 the company are in accordance with the directive on information relating to corporate governance as resolved by the Regulatory Board of the SIX Swiss Exchange on October 29, 2008, applicable as of July 1, 2009. Information requested by such directive, which is either not applicable or immaterial, is not mentioned. The representations also take into account the commentary on the corporate governance directive, last updated on September 20, 2007, as well as the SIX Exchange Regulation Communiqué No. 4/2009 of August 11, 2009. The information is set out in the order required by the SIX Swiss Exchange guidelines on corporate governance information (RLCG), with subsections being summarized to the extent possible. Carlo Gavazzi's financial statements comply with US GAAP 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 Carlo Gavazzi Holding AG, Security No. 1100359, ISIN No. CH001 1003594. For details of non-listed companies, refer to the Notes to Consolidated Financial Statements of Carlo Gavazzi Holding AG, Note 28 «Subsidiaries».

Major shareholders	% of voting rights
Gavazzi family (directly or indirectly)	80.6%
Vontobel Fonds Services AG	3.24%

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

No cross-shareholdings exist.

2. Capital structure

For details of authorized, paid-in and conditional capital and numbers of shares issued, refer to the Notes to Financial Statements of Carlo Gavazzi Holding AG, Note 3 as well as to article 6 of the statutes, governing the exclusion of shareholders' subscription rights. For Statements of Changes in Consolidated Shareholders' Equity at March 31, 2008, 2009 and 2010, refer to page 30 of this annual report. There were no changes in the share capital during the years ended March 31, 2009 and 2010. The company has not issued any profit-sharing certificates. There are no restrictions on transferability or registrations. There are no convertible bonds.

3. Board of directors

The board of directors comprises four members.

Board of Directors

CHAIRMAN

1 VALERIA GAVAZZI

Italian national, Zug

First elected 2009, elected until 2010

- 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*

VICE-CHAIRMAN

2 GIOVANNI BERTOLA

Swiss national, Milan

First elected 2009, elected until 2010

- Graduated as electrical engineer, Politecnico of Milan
- Developed his professional career during almost 25 years with the Brown Boveri/ABB Group until 1992 up to the position of CEO and Country Manager of ABB in Italy
- Chairman or Managing Director of various manufacturing groups in the electrical and mechanical sector from 1992 to 2008, such as Arvedi, Reeves (actually part of the Trelleborg Group), Gnutti Cirillo and Cemp
- Since 2004 Chairman of HTC Componenti Tecnici and Vice-Chairman of the Swiss Chamber of Commerce in Italy
- *Vice-Chairman of Carlo Gavazzi Holding AG since July 2009*

DIRECTOR

3 FEDERICO FOGLIA

Swiss national, Lugano Ti

First elected 2004, elected until 2010

- Graduated in economics and political sciences, Bocconi University, Milan
- Held positions with Banca del Ceresio, Lugano, Merrill Lynch International Bank, London, and Merrill Lynch Mercury Asset Management, London, from 1998 until 2000
- Managing Director of Banca del Ceresio, Lugano, since 2000

DIRECTOR

4 STEFANO PREMOLI TROVATI

Italian national, Milan

First elected 2008, elected until 2010

- Graduated in economics and corporate law, Cattolica University, Milan
- Postgraduate degree in tax law
- Member of the board of auditors Panaria Group Industrie Ceramiche S.p.A. (listed on the Milan stock exchange), since 2008
- Managing Director Barguzin Participation SA, Luxembourg, since 2009
- Partner of the tax and law firm TFP & Partners since 2009

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, Switzerland, from 1986 until 1991
- Attorney at Law and Notary in Zug since 1991 and partner in the law firm Stadlin Advokatur Notariat in Zug, Switzerland, since 1998
- *Secretary to the board of directors of Carlo Gavazzi Holding AG since July 2009*

Internal organizational structure

Two members of the board of directors have functions/close relations to companies controlled by the majority shareholder. Refer to information on members of the board of directors, «Related Party Transactions» Note 20 to Consolidated Financial Statements of Carlo Gavazzi Holding AG and Note 4 to Financial Statements of Carlo Gavazzi Holding AG.

The board of directors comprises at least three members. They are elected at the annual shareholders' meeting for a term of one year. The members are elected globally unless decided otherwise.

Re-election is permitted. The statutory age limit is 70 years. The chairman is elected by the board of directors. The statutes are available in German language on the group's website at www.carlogavazzi.com/Investors/Corporate governance/Statuten.

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 and advises the group's management. It regularly reviews the financial results and approves budgets as well as consolidated financial statements. The board of directors appoints the company's executive officers. The detailed rules defining the interactions with the executive management are set out in the Business Rules.

The board of directors has a quorum when the majority of its members are present. Its decisions are made with 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 full-day strategy meeting and a budget meeting in November and March, respectively. The CEO of Automation Components attends these meetings as required. The chief financial officer regularly assists the chairman in the presentation and discussion of the financial results. In the reporting period, the board of directors held 6 full-day meetings and some telephone conferences.

The board of directors has established an audit committee and a compensation committee to carry out certain duties as set out below.

Audit committee

The prime function of the audit committee is to assist the board 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 can ask any question at all times when deemed necessary through the chief financial officer and may have direct contact with the company'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 2009/10, the audit committee consisted of Stefano Premoli Trovati (chairman) and Giovanni Bertola. In the reporting period, the committee met 5 times and the auditors participated in all meetings.

Compensation committee

The prime function of the compensation committee is to assist the board in preparing and proposing to the board compensation guidelines in line with the overall strategy. It prepares and proposes to the board the compensation levels for the board and its committees. In addition, it prepares and proposes to the board the terms of employment of the chairman, the vice-chairman and of the executive management. It also prepares and proposes to the board a compensation policy for Automation Components that fairly rewards performance and effectively attracts and retains the human resources necessary to successfully lead and manage the unit. The committee prepares, monitors and proposes to the board bonus plans including any modifications to such plans for executives reporting to the board or to the chairman, including Automation Components' first-line managers. Upon request of the board, it prepares and proposes to the board long-term incentive plans. Upon these proposals, the board ultimately decides on all related remuneration issues.

In the financial year 2009/10, the compensation committee consisted of Giovanni Bertola (chairman), Federico Foglia and Stefano Premoli Trovati. In the reporting period, the committee met once.

Board committee members

Name	Audit committee	Compensation committee
Valeria Gavazzi		
Giovanni Bertola	▼	✱
Federico Foglia		▼
Stefano Premoli Trovati	✱	▼

✱ Chairman ▼ Member

Reporting

The board of directors is regularly informed about the company's performance according to the latest MIS Reporting. Furthermore, the annual budget and the strategic plan are subject to approval by the board. Ad-hoc information is reported to the board when deemed necessary.

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 US GAAP and the rules applicable to companies quoted on the SIX Swiss Exchange

Areas of responsibility – CEO of Automation Components

In his function he reports to the full board of directors via the vice-chairman. As operationally responsible for Automation Components, he ensures the integration and coordination of the subsidiaries' activities towards the overall achievement of group goals. Within the limits of the law and with the exception of those competencies that are reserved to the board or delegated to the chairman or vice-chairman, the board delegates to the CEO the operational 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 vice-chairman and board in all matters relating to the activities of the unit, execution of board decisions, regular reporting to the vice-chairman and board on business activities and important events, support to the vice-chairman and board on matters of M&A and divestitures.

He can delegate part of his functions to other persons. In particular, it is his task to define responsibilities and competencies within the unit. However, this delegation does not release him from the responsibility of the overall management and results.

Areas of responsibility – Group chief financial officer

In his function he reports to the chairman of the board. The CFO is responsible for organizing and supervising all financial aspects of the group. In the performance of his task he is providing guidance to and is assisted by the CFO of Automation Components. He implements all decisions of the board with regard to financial matters and is responsible for the flow of information to the board in regard to those matters.

In particular, the CFO's responsibilities include: Organizing and supervising internal controls, ensuring a timely and adequate reporting system, including budgets and 3-year plans, organizing and implementing financial planning, tax optimization, cash and treasury management, organizing and supervising group banking relations, representing the group towards financial institutions and providing for a timely completion of the financial portion of the annual report.

Areas of responsibility – Head of corporate communications

In his function he reports to the vice-chairman of the board. He is responsible for the elaboration of the group's communications strategy, for its final definition in close coordination with the chairman and for its implementation.

In particular this includes: Continuous review of the group's communications activities with the purpose of enhancing or re-defining the group's positioning towards all stakeholders, preparation of the group's press releases, participation in press conferences, shareholders' meetings and investor meetings, coordination of all main events such as press conferences and annual shareholders' meetings, 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 formulation of public statements.

Executive Management

4. Executive management

The executive management of the group comprises the CEO of Automation Components and the corporate functions.

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, from 2005 until 2007
- *CEO of Automation Components since June 2009*

CHIEF FINANCIAL OFFICER

ANTHONY M. GOLDSTEIN

British and Swiss 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 to 2009*
- *Chief Financial Officer since 2007*

HEAD OF CORPORATE COMMUNICATIONS

FELIX STÖCKLIN

Swiss national

- Dipl. El.-Ing. ETH, Zurich
- *Joined group in 1974 and held various positions in marketing, strategic planning and business development in the Netherlands, Germany and Switzerland*
- *Head of Corporate Communications since 2003*

Management contracts

There are no management contracts in existence pertaining to management tasks that have been delegated to third parties.

5. Compensation report

Compensation is reviewed and fixed annually. Employment contracts with members of the executive management do not contain unusually long notice periods or contract durations. All elements of the compensation system are based on cash with no share-based awards.

6. Shareholders' participation rights

There are no restrictions on the use of voting rights by any group of shareholders. Statutory rules for participating at the general meeting of shareholders do not differ from the applicable legal provisions. Resolutions of the general meeting of shareholders are carried by the majorities set out by the applicable legal provisions. Convocation of the general meeting of shareholders and rules for adding items to the agenda of the general meeting of shareholders, especially rules on deadlines, are in accordance with the applicable legal provisions.

All shareholders entered on the share register will be admitted to the general meeting of shareholders and are entitled to vote. For administrative reasons, no new entries will be made during the ten days preceding a general meeting. Shareholders who dispose of their shares before a general meeting are not entitled to vote.

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 general meeting of shareholders for a period of one year. The lead auditor, Mrs Joanne Burgener, assumed her mandate in July 2003. A new lead auditor is appointed every seven years. The next change will be in 2010/11.

The audit fees charged by PricewaterhouseCoopers in 2009/10 amounted to CHF 569 157, for tax consulting CHF 67 101, for other services relating mainly to coaching and supporting the company in the IFRS transition process CHF 272 000.

Fees charged in 2009/10 by other audit companies for auditing certain subsidiaries amounted to CHF 79 240.

The audit committee regularly evaluates the independence and the effectiveness of the external auditor. The auditors are also present at meetings of the audit committee as required.

9. Information policy

The group has an open information policy, which treats all target groups equally. 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 72 of the rules for quoted companies (ad hoc publicity), the group publishes all information relevant to its share price. In accordance with the amended ad hoc publicity directive adopted by the Admission Board of the SIX on September 30, 2004, the company 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/Media/Registration). In addition, any ad hoc notice will be made available on the company's website simultaneously.

Contact for investor relations:
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Consolidated Financial Statements

for the years ended March 31, 2010 and 2009

Statements of Consolidated Income

for the years ended March 31

(CHF 1 000)	Notes	2010	2009
Operating revenue		**149 910**	174 929
Cost of sales		**68 164**	83 248
Gross profit		**81 746**	91 681
Selling, general and administrative expense		**66 163**	73 883
Other expense (income), net	15	**2 591**	1 598
Earnings before interest and taxes (EBIT)		**12 992**	16 200
Interest expense (income), net	16	**77**	-208
Exchange loss (gain), net		**162**	-617
Earnings from continuing operations before income taxes		**12 753**	17 025
Income taxes, net	11	**4 715**	4 795
Earnings from continuing operations		**8 038**	12 230
Loss (gain) from discontinued operations	2	**-**	4 257
Net income		**8 038**	7 973

(CHF)			
Basic and diluted earnings per bearer share from continuing operations	13, 24	**11.32**	17.26
Basic and diluted earnings per bearer share from discontinued operations	13, 24	**-**	-6.01
Basic and diluted earnings per bearer share from net income	13, 24	**11.32**	11.25

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets

at March 31

(CHF 1 000)	Notes	2010	2009
Assets			
Current assets			
Cash		47 853	37 023
Accounts receivable	4, 20, 21	37 179	37 260
Inventories	5	25 900	28 009
Deferred income taxes	11	2 718	1 925
Prepaid expenses		1 104	1 212
Other current assets		3 072	2 644
Net assets of discontinued operations	2	-	8 638
Total current assets		117 826	116 711
Non-current assets			
Fixed assets, net	6, 21	13 270	14 406
Goodwill	7	23 232	23 650
Deposits and long-term receivables		443	431
Deferred income taxes	11	804	1 223
Total non-current assets		37 749	39 710
Total assets		155 575	156 421
Liabilities and shareholders' equity			
Current liabilities			
Bank overdrafts and short-term debt	8	1 397	4 482
Current maturities of long-term debt	9	362	840
Accounts payable	10	16 113	13 028
Accrued liabilities - current and deferred income taxes	11	3 922	3 509
Accrued liabilities - other	12, 22, 23	19 136	19 963
Total current liabilities		40 930	41 822
Long-term liabilities			
Long-term debt	9	1 693	2 035
Staff seniority indemnity	18	4 543	5 259
Deferred income taxes	11	505	282
Other long-term liabilities and capital lease obligations	23	41	110
Total long-term liabilities		6 782	7 686
Shareholders' equity			
Share capital	13	10 661	10 661
Additional paid-in capital		600	710
Legal reserves	14	2 150	2 150
Retained earnings	14	118 076	113 592
Cumulative translation adjustment		-23 624	-19 972
Own shares	13	-	-228
Total shareholders' equity		107 863	106 913
Total liabilities and shareholders' equity		155 575	156 421

See Notes to Consolidated Financial Statements

Statements of Changes in Consolidated Shareholders' Equity

at March 31

(CHF 1 000)	Share Capital	Additional paid-in capital	Legal reserves	Retained earnings	Cumulative translation adjustment	Own Shares	Shareholders' equity
Balance at March 31, 2007	**10 661**	**1 712**	**6 830**	**94 702**	**-14 169**	**-814**	**98 922**
Net income				16 788			16 788
Translation adjustments					-3 852		-3 852
Comprehensive income (subtotal)							**12 936**
Transfers		-1 473	-4 680	6 153			-
Dividend payment				-4 975			-4 975
Dividend on own shares				44			44
Purchase of own shares						-528	-528
Sale of own shares						986	986
Gain on own shares		528					528
Balance at March 31, 2008	**10 661**	**767**	**2 150**	**112 712**	**-18 021**	**-356**	**107 913**
Net income				7 973			7 973
Translation adjustments					-1 951		-1 951
Comprehensive income (subtotal)							**6 022**
Dividend payment				-7 107			-7 107
Dividend on own shares				14			14
Sale of own shares						128	128
Loss on own shares		-57					-57
Balance at March 31, 2009	**10 661**	**710**	**2 150**	**113 592**	**-19 972**	**-228**	**106 913**
Net income				8 038			8 038
Translation adjustments					-3 652		-3 652
Comprehensive income (subtotal)							**4 386**
Dividend payment				-3 554			-3 554
Sale of own shares						228	228
Loss on own shares		-110					-110
Balance at March 31, 2010	**10 661**	**600**	**2 150**	**118 076**	**-23 624**	**-**	**107 863**

See Notes to Consolidated Financial Statements

Statements of Consolidated Cash Flows

for the years ended March 31

(CHF 1000)	2010	2009
Cash flows from operating activities		
Net income	8 038	7 973
Depreciation	3 946	3 987
Loss (gain) on disposal of fixed assets	-19	49
Goodwill write-off	-	5 122
Change in other non-cash items	1 044	728
Subtotal	13 009	17 859
Changes in operating assets and liabilities:		
Accounts receivable (Note 20)	-977	12 272
Inventories	1 222	-1 184
Prepaid expenses and other current assets	-325	-1 495
Accounts payable and accrued liabilities	3 512	-5 080
Other, net	-1 938	-2 158
Net cash provided (used) by operating activities	14 503	20 214
Cash flows from investing activities		
Purchases of fixed assets	-3 565	-4 025
Proceeds from disposal of fixed assets	59	107
Proceeds from disposal of net assets of discontinued operations	8 638	-
Net cash provided (used) by investing activities	5 132	-3 918
Cash flows from financing activities		
Dividends paid	-3 554	-7 093
Sales of own shares	118	71
Retirement of short-term debt	-2 992	-3 917
Retirement of long-term debt	-742	-315
Retirement of capital lease obligations	-90	-111
Net cash provided (used) by financing activities	-7 260	-11 365
Cash		
Net increase (decrease) in cash	12 375	4 931
Cash at beginning of year	37 023	33 061
Effect of exchange rate changes on cash	-1 545	- 969
Cash at end of year	47 853	37 023
The following items are also included in net cash provided (used) by operating activities:		
Taxes paid	4 040	5 378
Interest paid	153	557

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

at March 31

All amounts are in CHF 1 000 unless otherwise stated.

1. Significant accounting policies

Accounting principles

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make use of certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates in these consolidated financial statements include allowances for doubtful accounts receivable, estimates of future cash flows associated with assets, asset impairments, useful lives for depreciation and amortisation, loss contingencies, net realisable value of inventories, income taxes and tax valuation reserves. Actual results could differ from those estimates.

Principles of consolidation

The consolidated financial statements include the accounts of Carlo Gavazzi Holding AG, Steinhausen, Switzerland, and its majority-owned subsidiaries. Unconsolidated affiliates are accounted for using the equity method and generally consist of operations owned more than 20% and up to 50% where control does not exist. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated financial statements. All intercompany transactions, balances and profits are eliminated.

In case of business combinations, the purchase method is used in accounting for such acquisitions. For acquisitions accounted for under the purchase method, goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill is reported in the balance sheet as an intangible asset. The carrying amount of goodwill is tested for impairment at least annually. The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of.

Cash

For purposes of the statement of consolidated cash flows, the company considers all highly liquid debt instruments purchased with maturity of three months or less to be cash.

Revenues

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of sales taxes and discounts and after eliminating sales within the group. For specific orders at the request of the customer, sales are also recognised on a «bill and hold» basis after completion of manufacture. All «bill and hold» transactions meet specified revenue recognition criteria, which include normal billing, credit and payment terms and transfer to the customer of all risks and rewards of ownership.

Accounts receivable – trade

Accounts receivable – trade are stated at nominal value less an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. The amount of the allowance is determined by analysing known uncollectible accounts, aged receivables, economic conditions in the customer's country or industry, historical losses and the customers' creditworthiness.

Concentrations of credit risk with respect to accounts receivable – trade are limited due to the large number of geographically diverse customers which make up the company's customer base, thus spreading credit risk. At the financial year-end, no single customer represented more than 10% of total accounts receivable – trade and no individual customer accounted for more than 10% of operating revenue during any of the periods presented. Some European countries require longer payment terms as a part of doing business and this may subject the company to a higher risk of non-collectability. This risk is evaluated when determining the allowance for doubtful debts. The company generally does not require collateral from its customers.

Inventories

Inventories are valued at the lower of cost or market, but not in excess of net realisable value. Cost is determined generally using the first-in/first-out method.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed generally using the straight-line method based on the estimated useful lives of the assets.

Maintenance, repairs and minor renewals are charged to expense as incurred. Major renewals and betterments are capitalised 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 current income.

The recoverability of fixed assets is assessed annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable and, when necessary, an impairment loss is recognised.

Fixed assets are being depreciated over the following number of years:

Buildings	50
Leasehold improvements (maximum)	10
Machinery and equipment	6
Furniture and fixtures	6
Motor cars	4
EDP equipment	3

Goodwill

In accordance with ASC 350 «Intangibles – Goodwill and Other Intangible Assets» (previously FAS Statement No. 142), goodwill, representing the excess of purchase price over the net asset value of companies acquired and indefinite lived intangible assets, is not amortised but is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that an asset might be impaired. The annual evaluation is based on valuation models that estimate fair value based on expected future cash flows and profitability projections.

Income taxes

Consolidated companies file separate income tax returns and, therefore, it is not normally possible to offset the taxable income of one consolidated company against the loss of another consolidated company. Consequently, the ratio of the tax provision compared with pre-tax income might be distorted. All consolidated companies recognise tax effects of transactions in the year such transactions enter into the determination of net income, regardless of when they are recognised for income tax purposes.

Deferred income taxes are determined utilising a liability approach. This method gives consideration to the future tax consequences associated with differences between financial accounting under US GAAP and tax bases of assets and liabilities. These differences relate to items such as depreciable fixed assets, inventories and certain liabilities. This method gives immediate effect to changes in income tax laws upon enactment. The income statement effect is derived from changes in deferred income taxes on the balance sheet. A valuation allowance is recorded to write down deferred tax assets to the amounts likely to be realised.

Significant judgement is required in determining income tax provisions under ASC 740 «Income Taxes» (previously FAS Statement No. 109) and in evaluating tax positions. Provisions for income taxes are established for tax positions which are fully supportable to meet the minimum probability threshold, as defined by ASC 740 «Income Taxes» (previously FIN No. 48), which is a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority. In the normal course of business, the company and its subsidiaries are examined by various tax authorities. The potential outcomes of these examinations and any future examinations for the current or previous years are regularly assessed to determine the adequacy of the provision for income taxes. The likelihood and amount of potential adjustments are continually assessed and the income tax provision, the current tax liability and deferred taxes are adjusted in the period in which the facts that give rise to a revision become known.

Research and development expense

All research and development is expensed as incurred.

Foreign currency translation

In accordance with ASC 830 «Foreign Currency Matters» (previously FAS Statement No. 52), assets and liabilities of foreign subsidiaries are translated into Swiss francs at current exchange rates. Income and expenses are translated into Swiss francs at average rates of exchange prevailing during the year. Gains and losses resulting from foreign currency transactions are included in current income, except for intercompany transactions having the nature of a permanent financial investment which are directly recorded in shareholders' equity. Adjustments resulting from translation of financial statements are included in the cumulative translation adjustment in the shareholders' equity section of the balance sheet until disposal or liquidation of a foreign subsidiary. Upon disposal or liquidation, any translation adjustments relating to that subsidiary are included in the income statement.

Financial instruments

The principal financial risks faced by the group are interest rate risk, exchange rate risk and credit risk. The group borrows at both fixed and floating rates of interest to finance its operations. Sales are entered into in foreign currencies. Credit risk arises when derivative instruments are used or sales are made on deferred credit terms.

The objectives in using financial instruments are to reduce the uncertainty over future cash flows arising from movements in interest and exchange rates and to manage the liquidity of the cash resources.

Purchases of certain significant capital assets are made using capital lease arrangements.

All interest rate derivative transactions are subject to approval by the Group CFO before execution, however, in principle the company does not actively make use of financial instruments.

Financial instruments carried on the balance sheet include cash, bank balances, time deposits and marketable securities, investments, accounts receivable, trade creditors, leases and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item. The companies may also be parties to financial instruments that reduce exposure to fluctuations in foreign currency exchange and interest rates. These instruments, which mainly comprise foreign currency forward contracts and interest rate swap agreements, are recognised in the financial statements on inception. The purpose of these instruments is to reduce risk. Exchange gains and losses and hedging costs arising on contracts entered into as hedges of specific revenue or expense transactions and of anticipated future transactions are deferred until the date of such transactions at which time they are included in the determination of such revenue and expenses. All other exchange gains and losses relating to hedge transactions are recognised in the income statement in the same period as the exchange differences on the items covered by the hedge transactions. Costs on such contracts are amortised over the life of the hedge contract. Gains and losses on contracts that are no longer designated as hedges are included in the income statement. As at March 31, 2010 and 2009, there were no outstanding contracts.

Pension obligations

The group operates a number of defined contribution plans throughout the world, the assets of which are held in separately administered trust funds. The pension plans are generally funded by payments from employees and by the relevant group companies. The company's contributions to the defined contribution pension plans are charged to the income statement in the year to which they relate. There are no material defined benefit plans.

Own shares

Own shares are stated at cost and deducted from equity. Gains are taken to additional paid-in capital. Losses are first taken to additional paid-in capital unless no more gains are available in which case they are taken to retained earnings.

New accounting pronouncements

ASC 820 «Fair Value Measurements and Disclosures». In February 2007, the Financial Accounting Standards Board issued FAS No. 159, «The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment of FAS No. 115». This Statement permits entities to choose to measure many financial instruments and certain other items at fair value.

The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions.

This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments.

The Statement applies to all entities, including not-for- profit organisations. Most of the provisions of this Statement apply only to entities that elect the fair value option. However, the amendment to FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities with available-for-sale and trading securities. Some requirements apply differently to entities that do not report net income.

The fair value option established by this Statement permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity shall report unrealised gains and losses on items for which the fair value option has been elected in earnings (or another performance indicator if the business entity does not report earnings) at each subsequent reporting date. A not-for-profit organisation shall report unrealised gains and losses in its statement of activities or similar statement.

The fair value option:

1. may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method
2. is irrevocable (unless a new election date occurs)
3. is applied only to entire instruments and not to portions of instruments

This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FASB Statement No. 157, Fair Value Measurements.

No entity is permitted to apply this Statement retrospectively to fiscal years preceding the effective date unless the entity chooses early adoption. The choice to adopt early should be made after issuance of this Statement but within 120 days of the beginning of the fiscal year of adoption, provided the entity has not yet issued financial statements, including required notes to those financial statements, for any interim period of the fiscal year of adoption. This Statement permits application to eligible items existing at the effective date (or early adoption date). The company adopted the requirements of this Statement as of April 1, 2008.

ASC 805 « Business Combinations». In December 2007, the Financial Accounting Standards Board issued FAS No. 141(R), «Business Combinations». This revised Statement retains the fundamental requirements in FAS No. 141 that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination.
The following are some of the significant changes this new statement makes as to how the acquisition method is applied:

- Measuring the assets acquired, the liabilities assumed and any non-controlling interest at their fair values

- Recognising assets acquired and liabilities assumed arising from contingencies
- Recognising contingent consideration at the acquisition date, measured at its fair value
- Recognising a gain in the event of a bargain purchase (i.e. previously negative goodwill)

The Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 and it may not be applied before that date. Adoption of the Statement did not have any material impact on the financial statements.

ASC 810 « Consolidation». In December 2007, the Financial Accounting Standards Board issued FAS No. 160 «Non-Controlling Interests in Consolidated Financial Statements». This Statement amends ARB No. 51 to establish accounting and reporting standards for a non-controlling interest in a subsidiary and for deconsolidation of a subsidiary. The Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 and it may not be applied before that date. Adoption of the Statement did not have any material impact on the financial statements.

ASC 815 « Derivatives and Hedging». In March 2008, the Financial Accounting Standards Board issued FAS No. 161 «Disclosures about Derivative Instruments and Hedging Activities». This Statement revises disclosure requirements for derivative instruments and hedging activities.

The Statement is effective for financial statements issued for years beginning after November 15, 2008 and interim periods within those years. Adoption of the Statement did not have any material impact on the financial statements.

ASC 855 « Subsequent Events». In May 2009, the Financial Accounting Standards Board issued FAS No. 165 «Subsequent Events». This Statement establishes principles and requirements for subsequent events. In particular the Statement sets forth:

a. The period after the balance sheet date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements

b. The circumstances under which an entity shall recognise events or transactions occurring after the balance sheet date in its financial statements

c. The disclosures that an entity shall make about events or transactions that occurred after the balance sheet date.

The Statement shall be applied to the accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles (GAAP). An entity shall disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued.

The Statement shall be effective for interim or annual financial periods ending after June 15, 2009, and shall be applied prospectively.

Subsequent to issuance, the requirement for SEC filers to disclose the date through which subsequent events have been evaluated was eliminated. Adoption of the Statement did not have any material impact on the financial statements.

ASC 860 «Transfers and Servicing». In June 2009, the Financial Accounting Standards Board issued FAS No. 166 «Accounting for Transfers of Financial Assets». This Statement amends FAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, significantly changing how companies account for transfers of financial assets. Key changes include (i) elimination of the QSPE concept; (ii) introduction of a new «participating interest» definition that must be met for transfers of portions of financial assets to be eligible for sale accounting; (iii) clarification and amendments to the de-recognition criteria for a transfer to be accounted for as a sale; (iv) a change to the amount of recognized gain/loss on a transfer accounted for as a sale when beneficial interests are received by the transferor, and (v) extensive new disclosures. The Statement is effective for transfers of financial assets occurring in years beginning after November 15, 2009, and in interim periods within those years. All entities are required to provide the disclosures in the first interim or annual reporting period ending after November 15, 2009. Disclosures are required for all transfers, including those entered into before the effective date. Adoption of the Statement as of April 1, 2010 is not expected to have any material effect on the financial statements.

ASC 810 «Consolidation». In June 2009, the Financial Accounting Standards Board issued FAS No. 167 «New consolidation guidance for variable interest entities (VIEs)». This Statement amends the consolidation guidance for VIEs under FIN 46(R), Consolidation of Variable Interest Entities, including (1) the elimination of the exemption for qualifying special purpose entities, (2) a new approach for determining who should consolidate a variable-interest entity and (3) changes to when it is necessary to reassess who should consolidate a variable-interest entity. The Statement is effective for years beginning after November 15, 2009, for interim periods within those years and for interim and annual reporting periods thereafter. Adoption of the Statement as of April 1, 2010 is not expected to have any material effect on the financial statements.

ASC 820 «Fair Value Measurements and Disclosures». In January 2010, the Financial Accounting Standards Board issued ASU 2010-06, «Improving Disclosures about Fair Value Measurements» (previously included in FAS Statement No. 157). This provides amendments to Subtopic 820-10 that requires new disclosures and clarifies certain existing disclosures related to fair value measurements. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

Subsequent events

Subsequent events have been evaluated until June 18, 2010, which was the date when these financial statements were made available to be issued.

Reclassifications

Certain amounts in the previous year's financial statements have been reclassified to conform to the current year's presentation.

2. Discontinued operations

On March 17, 2009, the board of directors of the company approved an Asset Purchase Agreement for the sale of its Computing Solutions Business Unit to System Industrie Electronic AG (SIE), Lustenau, Austria. On April 1, 2009, the company's subsidiary, Carlo Gavazzi Computing Solutions, Inc, completed the transaction for sale of the business and certain assets and liabilities and received a cash consideration of CHF 8 638.

Accordingly, the operations of the Computing Solutions Business Unit for the year ended March 31, 2009 were reported separately as discontinued operations in the Statements of Consolidated Income and the accompanying Notes to the Consolidated Financial Statements. The assets held for sale at March 31, 2009, were classified as net assets of discontinued operations and included accounts receivable CHF 4 107, inventories CHF 3 161, prepaid expenses CHF 270, fixed assets CHF 1 897 and accounts payable CHF 797.

The profit from discontinued operations in 2008/09 amounted to CHF 865 and was stated after crediting income taxes of CHF 867. In addition, Carlo Gavazzi Computing Solutions, Inc, carried goodwill on its balance sheet amounting to CHF 5 122 related entirely to the above activity. Due to the discontinuance of the activity, the fair value of this goodwill was considered to be zero and, accordingly, it was written off in 2008/09. The operating revenue of discontinued operations in 2008/09 amounted to CHF 31 780.

3. Exchange rates

Year-end rates (CHF)

Currency		2010	2009
CAD	(1)	1.04	0.90
CNY	(100)	15.61	16.67
DKK	(100)	19.24	20.33
EUR	(1)	1.43	1.51
GBP	(1)	1.60	1.63
HKD	(100)	13.71	14.70
LTL	(100)	41.48	44.00
MYR	(100)	32.60	31.19
NOK	(100)	17.81	16.98
SEK	(100)	14.67	13.86
SGD	(1)	0.76	0.75
USD	(1)	1.05	1.14

Average rates (CHF)

Currency		2009/10	2008/09
CAD	(1)	0.98	0.98
CNY	(100)	15.60	16.08
DKK	(100)	20.18	20.95
EUR	(1)	1.50	1.56
GBP	(1)	1.70	1.88
HKD	(100)	13.73	14.18
LTL	(100)	43.61	45.61
MYR	(100)	30.82	32.21
NOK	(100)	17.65	18.54
SEK	(100)	14.50	15.72
SGD	(1)	0.75	0.77
USD	(1)	1.06	1.10

4. Accounts receivable

(CHF 1 000)	2010	2009
Trade receivable	36 599	36 229
Less allowance for doubtful accounts	–1 896	–1 764
Trade receivable, net	34 703	34 465
Other receivable – third parties	2 476	2 795
Total	**37 179**	**37 260**

5. Inventories

(CHF 1 000)	2010	2009
Finished goods	17 596	18 722
Work in progress	4 020	3 897
Raw materials and supplies	8 826	9 571
Inventories, gross	30 442	32 190
Less allowance for valuation	–4 542	–4 181
Total	**25 900**	**28 009**

6. Fixed assets and accumulated depreciation

2010

(CHF 1 000)	Fixed assets at cost	Accumulated depreciation	Net book value
Land	842	–	842
Buildings and improvements	4 229	3 107	1 122
Leasehold improvements	3 830	1 715	2 115
Machinery and equipment	36 413	29 772	6 641
Furniture and fixtures	4 160	3 365	795
Motor cars	2 710	1 800	910
EDP equipment	7 230	6 385	845
Total	**59 414**	**46 144**	**13 270**

2009

(CHF 1 000)	Fixed assets at cost	Accumulated depreciation	Net book value
Land	889	–	889
Buildings and improvements	4 465	3 225	1 240
Leasehold improvements	3 926	1 518	2 408
Machinery and equipment	36 314	29 274	7 040
Furniture and fixtures	4 532	3 393	1 139
Motor cars	2 580	1 687	893
EDP equipment	7 197	6 400	797
Total	**59 903**	**45 497**	**14 406**

Depreciation expense amounted to CHF 3 946 (2008/09 CHF 3 987). Included in fixed assets are assets acquired under capital leases (machinery and equipment and EDP equipment) with original cost of CHF 619 (2009 CHF 657) and accumulated depreciation of CHF 452 (2009 CHF 370). The net book value of buildings includes an amount of CHF 1 955 at March 31, 2010 (2009 CHF 2 085) for one building not utilised for business purposes and provision has been made for impairment of this building of CHF 1 161 (2009 CHF 1 226) using local market value comparisons. The fire insurance value of fixed assets (excluding land) amounted to CHF 42 490 (2009 CHF 40 595).

7. Goodwill

(CHF 1 000)	2010	2009
Goodwill	39 178	39 607
Accumulated amortisation	15 946	15 957
Goodwill, net	23 232	23 650

The changes in the carrying amount of goodwill are as follows:

(CHF 1 000)	Automation Components	Computing Solutions	Total
Balance at March 31, 2008	23 928	4 656	28 584
Goodwill write-off related to discontinued operations	–	–5 122	–5 122
Translation adjustments	–278	466	188
Balance at March 31, 2009	23 650	–	23 650
Translation adjustments	–418	–	–418
Balance at March 31, 2010	23 232	–	23 232

8. Bank overdrafts and short-term debt

(CHF 1 000)	2010	2009
Average borrowings outstanding during year	2 585	8 327
Unused short-term bank credit lines	79 304	77 400

9. Long-term debt

Long-term debt at March 31, 2010 matures as follows:

(CHF 1 000)	Bank loans	Others	Total
2012	429	624	1 053
2013	–	99	99
2014	–	102	102
2015	–	104	104
Subsequent years	–	335	335
Non-current maturities	429	1 264	1 693
Current maturities	3	359	362
Total	432	1 623	2 055

Long-term debt bears interest of between 2.0% and 6.5% (according to currency) with a weighted average amounting to approximately 3.3% (2008/09 2.9%).

10. Accounts payable

(CHF 1 000)	2010	2009
Trade	13 215	10 973
Other	2 898	2 055
Total	16 113	13 028

11. Income taxes

The tax expense in the statements of income consists of the following:

(CHF 1 000)	2009/10	2008/09
Current – income taxes	6 080	5 016
Current – tax benefit from operating loss carry-forwards	–942	–349
Deferred – income taxes	–446	145
Deferred – adjustment for rate changes	23	–17
Total	4 715	4 795

The company is incorporated in Switzerland but operates in numerous countries with differing tax laws and rates. The earnings before income taxes and provision for income taxes are generated primarily outside Switzerland. Accordingly, the weighted average expected effective tax rate may vary between periods reflecting the income or loss generated in each country.

The main factors causing the effective tax rate to differ from the expected tax rate for the year are as follows:

(CHF 1 000)	2009/10	2008/09
Earnings before income taxes	12 753	17 025
Income tax calculated at a rate of 30% (2008/09 30%)	3 826	5 107
Effect of higher/lower rates in other countries	847	-657
Expenses not deductible for tax purposes	42	345
Actual tax charge	4 715	4 795

The net tax liabilities (assets) in the balance sheets consist of the following:

(CHF 1 000)	2010	2009
Income taxes currently payable	3 605	3 135
Current portion of deferred income taxes	317	374
Total current and deferred income taxes	3 922	3 509
Long-term portion of deferred income taxes	505	282
Total tax liabilities	4 427	3 791
Current portion of deferred income tax benefits	-2 718	-1 925
Long-term portion of deferred income tax benefits	-804	-1 223
Total tax assets	-3 522	-3 148
Net tax liabilities	905	643

The significant components of activities that gave rise to deferred tax assets and liabilities on the balance sheet are attributed to the following items:

(CHF 1 000)	2010	2009
Deferred tax assets:		
Inventories	1 562	1 688
Fixed assets	219	170
Intangible assets	19	–
Other assets	58	83
Other liabilities	505	52
Net operating tax loss carry-forwards	2 600	2 800
Gross deferred tax assets	4 963	4 793
Valuation allowance	-2 150	-2 200
Net deferred tax assets	2 813	2 593
Deferred tax liabilities:		
Accounts receivable	-113	-62
Intangible assets	–	-39
Deferred tax liabilities	-113	-101
Net deferred tax assets net of deferred tax liabilities	2 700	2 492

For tax return purposes, certain subsidiaries have tax losses available to carry forward against future profits of CHF 8 800 (2009 CHF 9 300). Of these, CHF 4 300 have no expiration date, CHF 350 expire in the year ending March 31, 2011, CHF 150 expire in the year ending March 31, 2014, CHF 500 expire in the year ending March 31, 2015 and CHF 3 500 expire in the year ending March 31, 2026.

Capitalisation of all these net operating tax loss carry-forwards would result in deferred tax assets of approximately CHF 2 600 (2009 CHF 2 800). However, management believes that a valuation allowance of CHF 2 150 (2009 CHF 2 200) is appropriate, given the current estimate of future taxable income in the relevant countries. The balance of CHF 450 (2009 CHF 600) has been capitalised because management is of the opinion that these tax assets will be realised through future taxable earnings or alternative tax strategies.

Since the adoption of ASC 740-10 (previously FIN No. 48 Uncertainty in Income Taxes) as of April 1, 2007, there have been no significant unrecognised tax benefits. In many cases, the insignificant uncertain tax positions are related to tax years that remain subject to examination by the relevant tax authorities. The following table summarises these open tax years by major jurisdiction as of March 31, 2010:

	Open tax years – examination in progress	Open tax years – examination not yet initiated
USA	–	2006/07 – 2009/10
Switzerland	–	2008/09 – 2009/10
Italy	–	2005/06 – 2009/10

The outcome of these examinations may impact the valuation of certain deferred tax assets, such as net operating losses, in future periods. Based on the number of tax years currently under audit by the relevant tax authorities, the company anticipates that several of these audits may be finalised in the foreseeable future.

12. Accrued liabilities – other

(CHF 1 000)	2010	2009
Accrued compensation	8 578	10 370
VAT	1 962	1 737
Sundry claim costs	1 051	–
Sales commission	162	109
Capital lease obligations	104	125
Freight and duty	132	189
Power, telephone and water	136	137
Audit, legal and consultants	713	856
Staff leaving costs	932	243
Other	5 366	6 197
Total	**19 136**	**19 963**

13. Share capital

Details concerning the company's capital structure are included in Note 3 to the Financial Statements of Carlo Gavazzi Holding AG.

Details concerning major shareholders of the company are included in Note 4 to the Financial Statements of Carlo Gavazzi Holding AG.

Details concerning the number of Carlo Gavazzi Holding AG shares owned by the company are included in Note 5 to the Financial Statements of Carlo Gavazzi Holding AG.

14. Legal reserve and retained earnings

Companies in France, Italy, Spain and Switzerland are required to appropriate to a legal reserve 5% of the profits in local currency for each calendar year until the legal reserve is equivalent to 20% of the aggregate par value of the share capital. In addition, Swiss companies must transfer to legal reserve 10% of the amount by which any dividend exceeds 5% of the par value of the share capital. This additional allocation must be made until the legal reserve amounts to 50% of the share capital except for holding companies. Legal reserves are restricted as to distribution and amounted to CHF 7 006 (2009 CHF 7 249) including an amount of CHF 2 150 (2009 CHF 2 150) for the holding company.

15. Other expense (income), net

(CHF 1 000)	2009/10	2008/09
Other expense:		
Losses on sale of fixed assets	12	76
Personnel indemnity costs	1 028	1 650
Sundry claim costs	1 020	–
Other	1 040	533
Total other expense	**3 100**	**2 259**
Other income:		
Gain on sale of fixed assets	–31	–27
Rental income	–	–62
Provision no longer required	–	–78
Other	–478	–494
Total other income	**–509**	**–661**
Net other (income) expense	**2 591**	**1 598**

16. Interest expense (income), net

(CHF 1 000)	2009/10	2008/09
Interest expense	177	557
Interest income	–100	–765
Net	77	–208

17. Research and development expense

Research and development expense amounted to CHF 6 371 (2008/09 CHF 6 354).

18. Pension plans

Certain subsidiary companies operate insured or defined funded contribution pension plans that cover substantially all employees of the respective companies. Pension expense amounted to CHF 903 (2008/09 CHF 650) reflecting amounts contributed to the various plans.

Amounts owed to pension plans at March 31, 2010 amounted to CHF 263 (2009 CHF 195).

Italian law requires the company to pay a Staff Seniority Indemnity (TFR) to all employees. Upon leaving a company in Italy, employees are entitled to receive a compulsory termination indemnity payment. This is a lump-sum benefit and is payable at the end of the employment relationship. Every year, the company accrues 1/13.5 of the employee's actual pay during the year. Moreover, the accrued benefit at the beginning of the year is revalued by 75% of the actual inflation rate plus 1.5% (Law No. 297/82). The accrual for the year plus the revaluation is expensed each year to the income statement and amounted to CHF 856 (2008/09 CHF 872). The total liability is shown in the balance sheet under long-term liabilities.

Commencing from January 1, 2007, following the application of new legislation, the maturing portion of the Staff Seniority Indemnity (excluding the revaluation of the amount accrued as at December 31, 2006) is transferred, based on the choice of the employees, to private pension schemes or to the Treasury Fund managed by INPS (National Social Security Institute).

Accordingly, the total liability disclosed in the balance sheet corresponds to the liability matured at the end of 2006 increased only by the revaluation described above. The new portions of Staff Seniority Indemnity matured after this date are charged in the income statements and the corresponding account payable is recorded under «Accounts payable – other» and paid on a monthly basis by the company to the relevant social institutions.

In accordance with the guidance stated in EITF 88-1, «Determination of Vested Benefit Obligation for a Defined Benefit Pension Plan», specifically written by the FASB to address such Italian plans, the company reflects the actuarial present value of the vested benefits to which the employee is entitled if the employee separates immediately (at each balance sheet date), referred to as «Approach 1» in EITF 88-1. This amount corresponds to the liability accrued at the balance sheet date in accordance with the requirements of the Italian legislation.

19. Personnel expense

Personnel expense amounted to CHF 48 811 (2008/09 CHF 53 427).

20. Related party transactions

At March 31, 2008, a loan amount of CHF 2 233 was due to the company from its direct main shareholder, Barguzin Participation SA, Luxembourg, under a loan agreement subject to interest at LIBOR plus a margin of 1.5% p.a. where repayments could be made either in cash or by net settlement. The loan was settled completely in July 2008 in accordance with the original agreement.

21. Guarantees and contingent liabilities

The repayment of various loans and overdraft facilities granted to group companies by outside lenders has been collateralised by pledging assets as follows:

(CHF 1 000)	2010	2009
Land and buildings	242	269
Fixed and current assets	795	1 119
Total	1 037	2 388

The company has guaranteed the debt to banks and other third parties on behalf of consolidated subsidiaries to cover banking facilities amounting to CHF 2 750 (2009 CHF 2 850). These guarantees have no expiry date and continue to be effective as long as the respective banking facilities continue to be extended. All intercompany guarantees have been eliminated in consolidation. As all guarantees were issued before January 1, 2003, the provisions for initial recognition and measurement under ASC 460 (previously FIN No. 45) are not applicable. In addition, no payments are expected to be made under the guarantees described above.

22. Pending legal cases

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

23. Leasing arrangements as lessee

The company has commitments under long-term leases that have initial or remaining non-cancellable lease terms in excess of one year for buildings, machinery and equipment, motor cars and EDP equipment.

During the life of the agreements accounted for, the lease payments remain stable.

The company has the option to purchase assets under capital leases for a nominal cost at the termination of the leases. Future minimum lease commitments were as follows:

(CHF 1 000)	Operating leases	Capital leases
2011	2 425	94
2012	1 822	54
2013	1 477	–
2014	1 078	–
2015	782	–
Subsequent years	791	–
Total	8 375	148
Less interest		–3
Present value of net minimum lease payments		145

The current obligation for capital leases is included in «Accrued liabilities – other» and the long-term obligation is included in «Other long-term liabilities and capital lease obligations». Rental expense under operating leases amounted to CHF 1 618 (2008/09 CHF 1 425). Rental income under sub-leases amounted to CHF 91 (2008/09 CHF 111).

24. Earnings per share and diluted earnings per share

Earnings per share are computed based on the weighted average number of bearer shares of CHF 15 each outstanding during the year after net income has been adjusted for the part related to the registered shares.

Basic and diluted earnings per bearer share are as follows:

(CHF 1 000)	2009/10	2008/09
Net income from continuing operations	8 038	12 230
Less net income allocated to the registered shares	–3 619	–5 507
Net income related to the bearer shares (numerator)	4 419	6 723
Number of shares (denominator)	390 445	389 544
Earnings per share (CHF)	11.32	17.26

The number of shares is calculated as follows:

	2009/10	2008/09
Bearer shares of CHF 15	390 710	390 710
Average number of own shares held by the company during the year	–265	–1 166
Total	390 445	389 544

25. Risk assessment according to the Swiss Code of Obligations

Financial risk assessment and management is an integral part of the group's risk management.

The group has established a fully integrated risk process that captures and evaluates the most important operational, strategic and financial risks. The key risks are entered in a risk and controls matrix and are rated on the basis of the potential degree of impact and the likelihood of each individual risk. Based on the company's risk tolerance, group management either initiates measures to reduce the degree of impact and/or the likelihood of the risk occurring, or deliberately takes on specific risks.

The board of directors evaluates the effectiveness of the risk management system on an annual basis.

26. Segment information

Following the discontinuance of the operations of the Computing Solutions Business Unit as at March 31, 2009, the company's operations are classified into the one remaining segment:

Automation Components includes the design, manufacture and marketing of electronic control components for the global industrial automation markets.

The company's reportable segment is a strategic business unit that offers products and services.

The management approach focuses on financial information that the company's decision-makers use to take decisions about the company's operating matters and to assess performance.

The accounting policies of the segment are the same as those described in the summary of significant accounting policies. The company evaluates performance in the business unit based on earnings before interest, non-recurring gains or losses and income tax expense (EBIT).

Operating revenue

(CHF 1 000)	2009/10	2008/09
Automation Components	149 910	174 929
Total	149 910	174 929

EBIT

(CHF 1 000)	2009/10	2008/09
Automation Components	13 139	17 748
Total segments	13 139	17 748
Corporate and adjustments	–147	1 548
EBIT	12 992	16 200
Interest expense (income), net	77	– 208
Exchange loss (gain)	162	– 617
Earnings from continuing operations before income taxes	12 753	17 025

Segment assets

(CHF 1 000)	2010	2009
Automation Components	135 477	146 032
Total segments	135 477	146 032
Corporate and adjustments	20 098	1 751
Discontinued operations	–	8 638
Total group	155 575	156 421

Additions to fixed assets

(CHF 1 000)	2009/10	2008/09
Automation Components	3 508	4 022
Total segments	3 508	4 022
Corporate and adjustments	57	3
Total group	3 565	4 025

Depreciation and amortisation

(CHF 1 000)	2009/10	2008/09
Automation Components	3 920	3 955
Total segments	3 920	3 955
Corporate and adjustments	26	32
Total group	3 946	3 987

27. Geographic information

In 2009/10 and 2008/09, no revenue from customers represented more than 10% of the company's consolidated operating revenue.

Operating revenue

(CHF 1 000)	2009/10	2008/09
EMEA	118 096	140 312
North America	19 529	23 747
Asia	12 285	10 870
Total group	149 910	174 929
of which:		
Switzerland	2 811	3 201
Italy	27 564	32 579

Long-lived assets

(CHF 1 000)	2010	2009
EMEA	36 121	38 053
North America	200	199
Asia	1 428	1 458
Total group	37 749	39 710
of which:		
Switzerland	92	95
Italy	6 204	7 645

Employees

(Average Number)	2009/10	2008/09
EMEA	751	839
North America	51	51
Asia	173	150
Total group	975	1 040
of which:		
Switzerland	8	8
Italy	173	187

28. Subsidiaries

At March 31, 2010 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 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	LTL	35
	100%		CARLO GAVAZZI OY AB, Helsinki, Finland	EUR	50
	100%		CARLO GAVAZZI Sàrl, Roissy, France	EUR	274
	100%		CARLO GAVAZZI GmbH, Weiterstadt, Germany	EUR	2 000
	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 Lda, Lisbon, Portugal	EUR	25
	100%		CARLO GAVAZZI AUTOMATION SINGAPORE Pte Ltd, Singapore	USD	358
		100%	CARLO GAVAZZI AUTOMATION (CHINA) Co Ltd, Shenzen, 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	50
	99%		CARLO GAVAZZI Mexico SA de CV, Mexico City, Mexico	MXN	50
100%			**CARLO GAVAZZI COMPUTING SOLUTIONS, Inc, Brockton, MA, USA**	USD	6
100%			**CARLO GAVAZZI INTERNATIONAL NV, Curaçao, Netherlands Antilles**	CHF	24 000
100%			**CARLO GAVAZZI MARKETING AG, Steinhausen, Switzerland**	CHF	500
100%			**CARLO GAVAZZI SERVICES AG, Steinhausen, Switzerland**	CHF	500

The major change during the year in principal subsidiaries held by the group was as follows:

Carlo Gavazzi Mexico SA de CV, Mexico City, Mexico was incorporated, owned 99% by Carlo Gavazzi Participation A/S and 1% by Carlo Gavazzi Inc.

In 2008/09, the major change was as follows:

Carlo Gavazzi Finance Ltd, Jersey, Channel Islands, was liquidated.

Report of the Statutory Auditors

To the general meeting of shareholders of Carlo Gavazzi Holding AG, Steinhausen

As statutory auditors of the group, we have audited the consolidated financial statements of Carlo Gavazzi Holding AG (statements of consolidated income, consolidated balance sheets, statements of changes in consolidated shareholders' equity, statements of consolidated cash flows and notes to consolidated financial statements, pages 28 to 47) for the year ended March 31, 2010.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended March 31, 2010 present fairly, in all material respects, the financial position, the results of operations and the cash flows in accordance with accounting principles generally accepted in the United States of America and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

J. Burgener

Joanne Burgener
Audit expert
Auditor in charge

Sophie Mathonnet Zwicky
Audit expert

Zug, June 18, 2010

Financial Statements

for the years ended March 31, 2010 and 2009

Statements of Income

for the years ended March 31

(CHF 1 000)	Notes	2010	2009
Investment result			
Dividend income		3 675	7 823
Gain on own shares	5	37	-
Loss on own shares	5	-	-119
Net investment result		3 712	7 704
Financial result			
Financial income – interest		374	861
Financial expense – exchange loss		-25	-62
Financial expense – interest		-1	-81
Net financial result		348	718
Miscellaneous result			
Administrative and other expense		-298	-1 648
Increase in provision for investments		-500	-
Net miscellaneous result		-798	-1 648
Income before taxes		3 262	6 774
Taxes		3	93
Net income		3 259	6 681

See Notes to Financial Statements

Balance Sheets

at March 31

(CHF 1 000)	Notes	2010	2009
Assets			
Current assets			
Liquid funds		14 454	369
Marketable securities – own shares	5	-	81
Other accounts receivable – third parties		4	10
Other accounts receivable – group companies		91	8 698
Total current assets		15 549	9 158
Non-current assets			
Financial assets – investments, gross	2	90 150	90 150
Financial assets – provision for investments		-20 500	-20 000
Financial assets – investments, net		69 650	70 150
Financial assets – loans to group companies		-	9 368
Total non-current assets		69 650	79 518
Total assets		85 199	88 676
Liabilities and shareholders' equity			
Current liabilities			
Bank loans and overdrafts		-	2 850
Other short-term liabilities – third parties		73	72
Provisions – taxes		3	3
Accrued expenses		224	557
Total short-term liabilities		300	3 482
Total liabilities		300	3 482
Shareholders' equity			
Share capital	4,5	10 661	10 661
Legal reserves-general	5	2 150	2 150
Legal reserves-own shares		-	240
Free reserves		61 297	61 057
Retained earnings		10 791	11 086
Total shareholders' equity		84 899	85 194
Total liabilities and shareholders' equity		85 199	88 676

See Notes to Financial Statements

Statements of Changes in Retained Earnings and Reserves

at March 31

(CHF 1 000)	
Retained earnings	
Balance March 31, 2008	**11 498**
Dividend paid	-7 107
Dividend on own shares	14
Net income 2008/09	6 681
Balance March 31, 2009	**11 086**
Dividend paid	- 3 554
Net income 2009/10	3 259
Balance March 31, 2010	**10 791**
Free reserves	
Balance March 31, 2008	**60 922**
Change in legal reserves – own shares	135
Balance March 31, 2009	**61 057**
Change in legal reserves – own shares	240
Balance March 31, 2010	**61 297**
Appropriation of retained earnings	
Proposals of the board of directors for 2009/10	
Retained earnings	
Distribution of dividend	
- 1 600 000 registered shares at CHF 1.00 per share	1 600
- 390 710 bearer shares at CHF 5.00 per share	1 954
To be carried forward	7 237
Retained earnings per balance sheet	**10 791**

Notes to Financial Statements

at March 31

All amounts are in CHF 1 000 unless otherwise stated

1. Securities, guarantees and pledges

Guarantees issued in favour of subsidiary companies and affiliates amounted to CHF 2 750 (2009 CHF 2 850).

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.

2. Significant investments

Details of the principal subsidiaries held by Carlo Gavazzi Holding AG and major changes during the year are included in Note 28 to the Consolidated Financial Statements.

3. Capital structure

The company's share capital is divided into registered shares of CHF 3 each and bearer shares of CHF 15 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 each (2009 1 600 000 of CHF 3 each).

The paid-in bearer share capital amounts to CHF 5 861 divided into 390 710 bearer shares of CHF 15 each (2009 390 710 of CHF 15 each). The conditional bearer share capital amounts to CHF 529 divided into 35 270 bearer shares of CHF 15 each (2009 35 270 of CHF 15 each). The conditional bearer share capital is reserved for issuance to employees and directors upon the exercise of share options.

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. Major shareholders and their shareholdings

The Gavazzi family holds directly and indirectly 80.6% (2009 80.6%) and Vontobel Fonds Services AG holds 3.24% (2009 3.24%) of the voting rights of the company.

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

5. Own shares

The company has carried out the following transactions in Carlo Gavazzi Holding AG bearer shares:

	Number of shares	Average price per share (CHF)
Balance March 31, 2008	1 422	
Disposals June 2008	–3	190.50
Disposals August 2008	–258	170.00
Disposals January 2009	–252	102.80
Balance March 31, 2009	909	
Disposals July 2009	–909	130.00
Balance March 31, 2010	–	

6. Risk assessment according to the Swiss Code of Obligations

The company is fully integrated into the group-wide risk assessment process of the Carlo Gavazzi Group.

This group risk assessment process addresses the nature and scope of business activities and its specific risks. Detailed information on the group's risk assessment is disclosed in Note 25 to the Consolidated Financial Statements.

7. Compensation and share ownership

The remuneration and share ownership of the board of directors and group management were as follows:

Details of total remuneration to members of the board of directors pursuant to the Swiss Code of Obligations for 2009/10:

(CHF 1 000)	Valeria Gavazzi Chairman	Giovanni Bertola Vice-chairman	Federico Foglia Member	Stefano Premoli Trovati Member	Total Board of Directors
Salaries, gross – fixed	–	300	61	63	424
Employer's social security costs	–	9	5	5	19
Total 2009/10	–	**309**	**66**	**68**	**443**

Details of total remuneration to members of the board of directors pursuant to the Swiss Code of Obligations for 2008/09:

(CHF 1 000)	Giulio Pampuro Chairman	Alessandro Berlingieri Member	Felix R. Ehrat Member	Dominique Fässler Member	Federico Foglia Member	Stefano Premoli Trovati Member	Total Board of Directors
Salaries, gross – fixed	434	56	56	60	58	57	721
Employer's social security costs	3	3	3	–	4	4	17
Lump-sum expenses	5	5	5	5	5	4	29
Total 2008/09	**442**	**64**	**64**	**65**	**67**	**65**	**767**

There are no share option plans in existence.

Stefano Premoli Trovati is also partner of the tax and law firm of TFP & Partners. During the year, the company received advisory services for a total of CHF 12 (2008/09 CHF nil) from TFP & Partners.

Giulio Pampuro, the former chairman, retired on July 23, 2009 and received compensation for the period from April 1, 2009 to July 23, 2009 for a total of CHF 30.

Alessandro Berlingieri provided advisory services to the company during the year for a total of CHF nil (2008/09 CHF 148). He also acted as CEO of the Automation Components Business Unit from November 2008 until June 2009 and was remunerated for a total CHF 153 (2008/09 CHF 439).

Felix R. Ehrat is also chairman of the board of directors, senior partner and minority shareholder of the law firm of Bär & Karrer AG. During the year, the company received legal advisory services for a total of CHF 95 (2008/09 CHF 229) from Bär & Karrer AG.

Dominique Fässler provided advisory services to the company during the year for a total of CHF 8 (2008/09 CHF nil).

Werner S. Welti, the former chairman, retired on July 26, 2007 and received compensation for the period from April 1, 2007 to July 26, 2007 as executive chairman and for the period thereafter until July 24, 2008 as honorary chairman. The amounts received in the year were CHF nil (2008/09 CHF 98).

Details of remuneration to group management and the highest-paid person pursuant to the Swiss Code of Obligations for 2009/10 were as follows:

(CHF 1 000)	Vittorio Rossi CEO ACBU	Total Group Management
Salaries, gross – fixed	400	712
Bonus, gross – variable	125	185
Employer's social security and insurance costs	174	241
Lump-sum expenses	–	8
Company car	–	10
Total 2009/10	**699**	**1 156**

Details of remuneration to group management and the highest-paid person pursuant to the Swiss Code of Obligations for 2008/09 were as follows:

(CHF 1 000)	Chris Boutilier CEO CSBU	Total Group Management
Salaries, gross – fixed	231	1 219
Bonus, gross – variable	400	707
Employer's social security and insurance costs	35	116
Lump-sum expenses	–	8
Company car	10	23
Total 2008/09	**676**	**2 073**

There are no share option plans in existence.

Disclosure of board of directors' shareholdings pursuant to the Swiss Code of Obligations at March 31, 2010:

	Valeria Gavazzi Chairman	Giovanni Bertola Vice-chairman	Federico Foglia Member	Stefano Premoli Trovati Member	Total Board of Directors
Number of bearer shares	–	10	911	–	921
In percentage of share capital	–	–	0.13	–	0.13
In percentage of voting rights	–	–	0.04	–	0.04
Value of shares (CHF 1 000)	–	1	136	–	137

Valeria Gavazzi, Chairman, personally owns nil bearer shares and 29,350 registered shares with 0.83% of the share capital and 1.47% of the voting rights. Valeria Gavazzi and her close family members, together own 5,235 bearer shares and 1,599,900 registered shares with 45.76% of the share capital and 80.6% of the voting rights.

Disclosure of board of directors' shareholdings pursuant to the Swiss Code of Obligations at March 31, 2009:

	Giulio Pampuro Chairman	Alessandro Berlingieri Member	Felix R. Ehrat Member	Dominique Fässler Member	Federico Foglia Member	Stefano Premoli Trovati Member	Total Board of Directors
Number of bearer shares	–	348	212	1 786	911	–	3 257
In percentage of share capital	–	0.05	0.03	0.25	0.13	–	0.46
In percentage of voting rights		0.02	0.01	0.09	0.04	–	0.16
Value of shares (CHF 1 000)	–	31	19	160	81	–	291

Disclosure of group management's shareholdings pursuant to the Swiss Code of Obligations at March 31, 2010:

	Vittorio Rossi CEO ACBU	Anthony M. Goldstein CFO	Felix Stöcklin Head CC	Total Group Management
Number of bearer shares	–	–	50	50
In percentage of share capital	–	–	–	–
Value of shares (CHF 1 000)	–	–	7	7

Disclosure of group management's shareholdings pursuant to the Swiss Code of Obligations at March 31, 2009 (for Alessandro Berlingieri, acting CEO ACBU, see under board of directors above):

(CHF 1 000)	Chris Boutilier CEO CSBU	Anthony M. Goldstein CFO	Felix Stöcklin Head CC	Total Group Management
Number of bearer shares	–	–	50	50
In percentage of share capital	–	–	–	–
Value of shares (CHF 1 000)	–	–	4	4

Report of the Statutory Auditors

To the general meeting of shareholders of Carlo Gavazzi Holding AG, Steinhausen

As statutory auditors, we have audited the accompanying financial statements of Carlo Gavazzi Holding AG (statements of income, balance sheets, statements of changes in retained earnings and reserves and notes to the financial statements, pages 52 to 58) for the year ended March 31, 2010.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended March 31, 2010 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

J. Burgener

Joanne Burgener
Audit expert
Auditor in charge

Sophie Mathonnet Zwicky
Audit expert

Zug, June 18, 2010

Group Companies

Headquarters

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

Sourcing Companies

China	CARLO GAVAZZI AUTOMATION (KUNSHAN) CO LTD	+86 512 5763 9300	cgak@carlogavazzi.cn
Italy	CARLO GAVAZZI CONTROLS SPA	+39 0437 93 10 00	controls@gavazziacbu.it
Lithuania	CARLO GAVAZZI INDUSTRI KAUNAS UAB	+370 37 32 82 27	info@gavazzi.lt
Malta	CARLO GAVAZZI LTD	+356 2 360 1100	gavazzi@carlogavazzi.com.mt

National Sales Companies

Austria	CARLO GAVAZZI GMBH	+43 1 888 4112	office@carlogavazzi.at
Belgium	CARLO GAVAZZI NV/SA	+32 2 257 41 20	sales@carlogavazzi.be
Canada	CARLO GAVAZZI (CANADA) INC	+1 905 542 09 79	gavazzi@carlogavazzi.com
China	CARLO GAVAZZI AUTOMATION (CHINA) CO LTD	+86 755 8369 9500	sales@carlogavazzi.cn
Denmark	CARLO GAVAZZI HANDEL A/S	+45 89 60 61 00	handel@gavazzi.dk
Finland	CARLO GAVAZZI OY AB	+358 9 756 2000	myynti@gavazzi.fi
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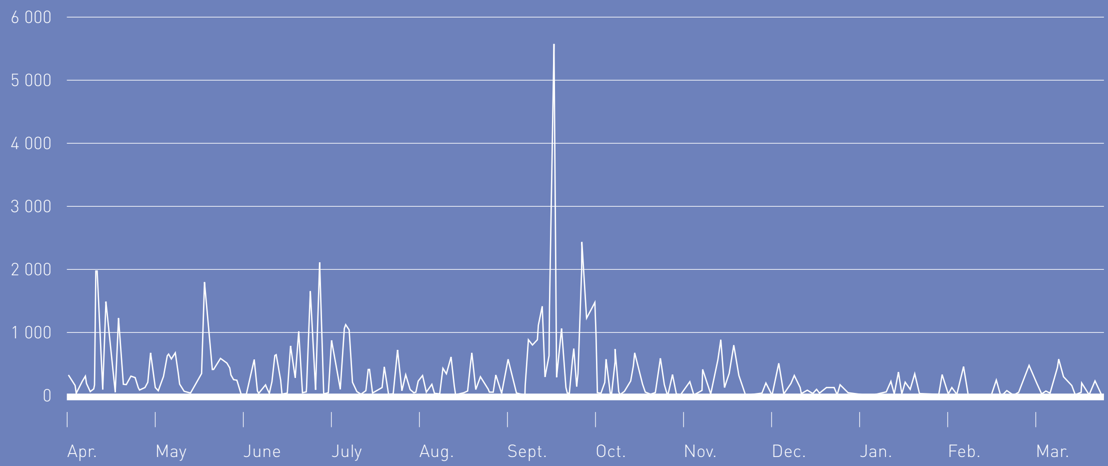
Sweden	CARLO GAVAZZI AB	+46 54 85 11 25	info@carlogavazzi.se
Switzerland	CARLO GAVAZZI AG	+41 41 747 45 35	info@carlogavazzi.ch
USA	CARLO GAVAZZI INC	+1 847 465 6100	sales@carlogavazzi.com

Information for Investors

Share price
1.4.2009-
31.3.2010
(CHF)

Share volume
1.4.2009-
31.3.2010
(Number)



Share price
1.4.2005-
31.3.2010
(CHF)

CARLO GAVAZZI BEARER SHARE
SPI EXTRA™ (REBASED)

Information for Investors

		2009/10*	2008/09	2007/08	2006/07	2005/06
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 stock 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	**150**	90	190	275	209
Share price - high	CHF	**155**	200	319	278	229
Share price - low	CHF	**86**	85	180	183	103
Average daily volume	Number	**305**	311	624	922	1 366
P/E Ratio	Factor	**13.3**	8.0	8.0	16.9	12.2
Basic earnings per share	CHF	**11.3**	11.3	23.8	16.3	17.1
Book value per share	CHF	**152**	150	152	139	157
Stock market capitalisation	CHF 1 000	**106 606**	63 964	135 035	195 445	148 500
- in percentage of revenue	%	**71.1**	36.6	60.5	90.6	68.5
- in percentage of equity	%	**98.8**	59.8	125.1	197.6	133.0
Dividend per share	CHF	**5.0***	5.0	10.0	7.0	-
- dividend yield	%	**3.3***	5.6	5.3	2.5	-
- total pay-out	CHF 1 000	**3 554***	3 554	7 107	4 975	-
- pay-out ratio	%	**44.2***	44.6	42.3	43.2	-
Share capital repayment per share	CHF	**-**	-	-	-	35.0

*Proposal of the board of directors

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

Conditional share capital as of March 31, 2010
35 270 bearer shares
(CHF 529 050)

For issue to employees and members
of the board of directors of the company
or subsidiaries

Financial calendar

Shareholders' meeting 2009/10:	July 27, 2010, at the Congress Center Metalli, Zug
Interim report 2009/10:	November 23, 2010
Press and financial analysts' meeting 2010/11:	June 28, 2011, at the Widder Hotel, Zurich
Shareholders' meeting 2010/11:	July 28, 2011

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