CARLO GAVAZZI

ANNUAL REPORT 2008/09

At a Glance

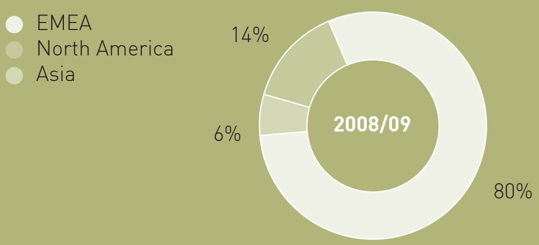
Five-Year
Financial Summary

At a Glance

(CHF million)	2008/09*	2007/08**	%
Bookings	**172.7**	195.7	–11.8
Operating revenue	**174.9**	196.6	–11.0
EBIT	**16.2**	25.3	–36.0
Earnings from continuing operations	**12.2**	15.8	–22.8
Loss/gain from discontinued operations	**–4.2**	1.0	–
Shareholders' net income	**8.0**	16.8	–52.4
Cash flow	**17.9**	23.6	–24.2
Shareholders' equity	**106.9**	107.9	–0.9
ROE	**7.5%**	15.6%	–
ROCE	**21.0%**	30.7%	–

* 2008/09 figures reflect the results of continuing operations
** 2007/08 figures have been restated to reflect the effect of the divestiture of the Computing Solutions Business Unit

Revenue distribution by geographical region



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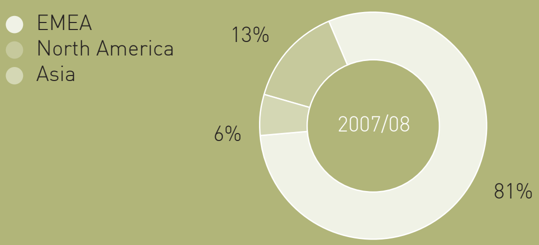
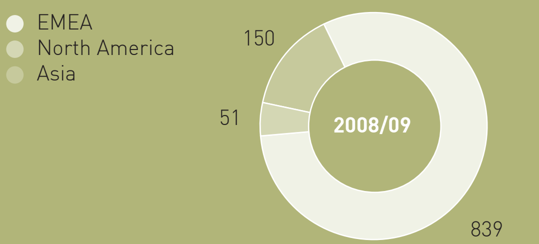


Distribution of employees by geographical region



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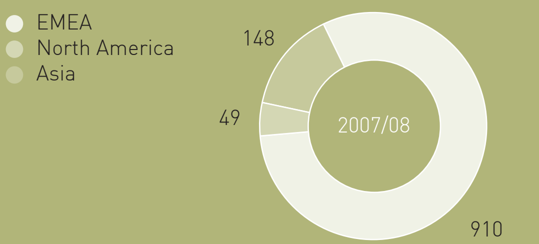

Five-Year Financial Summary

(CHF million)	**2008/09***	2007/08	2006/07**	2005/06	2004/05
Bookings	**172.7**	228.2	221.6	216.8	207.0
Order backlog	**29.0**	49.5	50.8	44.9	45.5
Operating revenue	**174.9**	223.4	215.7	216.5	201.8
Gross profit	**91.7**	109.4	100.9	94.5	84.2
EBITDA	**20.2**	31.3	25.0	19.9	14.4
EBIT	**16.2**	26.7	20.2	15.6	10.0
Earnings before taxes and minorities	**17.0**	23.7	19.0	15.7	8.9
Net income from continuing operations	**12.2**	16.8	14.9	12.2	6.8
Net income including discontinued operations	**8.0**		11.5		
Cash flow***	**17.9**	23.6	18.8	15.5	10.7
Depreciation	**4.0**	4.7	4.8	4.3	4.4
Additions to fixed assets	**4.0**	4.3	5.1	5.4	4.6
Accounts receivable	**37.3**	55.5	59.3	63.1	64.3
Inventories	**28.0**	31.2	40.4	32.7	31.4
Net working capital	**43.2**	47.3	58.7	52.3	52.2
Current assets	**116.7**	124.6	126.8	128.7	111.3
Fixed assets, net	**14.4**	16.5	23.2	23.9	22.5
Intangible assets, net	**23.7**	28.6	29.7	33.8	32.6
Interest-bearing debt, net	**–29.7**	–21.1	7.2	–5.1	8.3
Current liabilities	**41.8**	53.4	71.3	66.3	61.5
Long-term liabilities	**7.7**	9.9	11.9	13.2	13.1
Minorities		–	–	–	0.1
Shareholders' equity	**106.9**	107.9	98.9	111.6	100.8
Total liabilities and shareholders' equity	**156.4**	171.1	182.2	191.2	175.5
Number of employees (average)	**1 040**	1 204	1 192	1 126	1 041

* 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

Sensing is seeing
Seeing is thinking

Riccardo Gavazzi

Carlo Gavazzi Group

Annual Report 2008/09

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Corporate

Letter to the Shareholders

The financial year under review is not comparable with the previous year as substantially all of the operating assets of the Computing Solutions Business Unit (CSBU) were sold to SIE, an Austrian company active in the field of electronic packaging and embedded computing. As we said repeatedly in the past, CSBU was no longer regarded as a core activity and its disposal was considered to be the preferred solution, in order to allow Carlo Gavazzi to focus its efforts entirely on Automation Components.

The transaction produced no gain or loss, however, selling CSBU resulted in the necessity to write off the goodwill of CHF 5.1 million attached to the business. This had a negative impact on the income statement of Carlo Gavazzi Holding AG, reducing net income by the same amount.

As a consequence of this divestiture, which has been accounted for as discontinued operations, the following statements only consider Carlo Gavazzi Holding's results based on continuing operations.

In the current financial year, operating revenue decreased by 11% from CHF 197 million to CHF 175 million.

Despite the sizeable drop in sales, gross profit margin improved from 52.2% to 52.4%, thanks to the continuous application of lean manufacturing processes.

On the other hand, operating expenses were slower to contract, which resulted in an increase from 39.9% to 42.2% of operating revenue. As a consequence, EBIT, in percent of revenue decreased from 12.9% to 9.3% and in absolute terms declined from CHF 25.3 million to CHF 16.2 million.

Earnings decreased from CHF 15.8 million to CHF 12.2 million, which still represents a healthy return on equity of 11.4% compared with 14.6% in the previous year.

The severe slowdown in demand affected the activities of Automation Components in all countries. The downturn, which was not unexpected, accelerated momentum in the latter part of the year under review. In the last three months of the financial year, bookings decreased to 88% of revenue, which compares with an already low ratio of 94% recorded during the last three months of 2007/08. This does not augur well for the future, hinting at a further reduction in the level of activity. In addition, visibility remains very low throughout the chain. Customers are delaying programmed purchase orders in an effort to reduce stocks and save cash. From their public statements, the main players in the automation industry share this view and do not yet see any signals of recovery. To adjust to this scenario, we have acted swiftly by cutting production and also labour both in manufacturing and some sales operations.

However, notwithstanding the current negative economic climate, the company remains committed to the strategy developed and announced, which evolves around the following main actions:

Enlargement of the customer base in new and existing markets, enhancement of R&D activities to serve attractive market segments and enrichment of the portfolio through the addition of selected new products to be sourced outside, either through commercial agreements or through acquisitions.

The aim of Carlo Gavazzi's strategy is to increase sales in order to prepare the ground for a sustained long-term profitability. The current adverse economic phase will delay this development process but will not stop it. More resources have been committed to strengthen the sales network in certain geographical areas that provide a good potential even in the presence of adverse market conditions and to enlarge R&D capabilities. In addition, the company will evaluate carefully all relevant acquisition opportunities which present themselves.

The group is well equipped to weather the storm because of its very large and diversified customer base and the variety of the product range.

Last but not least, the financial structure of the group remains very sound with a net cash position of CHF 29.7 million at March 31, 2009 and an untouched leverage capability. Carlo Gavazzi strongly believes that this provides the company with a winning edge over the competitors.

As a result of its solid financial position, the board of directors will propose to the annual shareholders' meeting the payment of a dividend of CHF 5 per bearer share, corresponding to a pay-out ratio of 29.1% of earnings from continuing operations.

As already announced, Vittorio Rossi was appointed as CEO of Automation Components, effective June 8, 2009. On behalf of the board of directors and the management, I wish to warmly welcome Vittorio Rossi to the group.

In the name of the board of directors I wish to convey my thanks to our managers and employees for their commitment and motivation, more valuable now than ever before. Sincere thanks also go to our customers and shareholders who continue to show confidence in our group.

Giulio Pampuro
Chairman of the Board

Corporate

Review of Operations

Structure

During the month of March 2009, the group signed a contract to dispose of the business and net assets of its Computing Solutions Business Unit. The transaction was completed and the cash consideration received on April 1, 2009. The group now consists solely of the remaining business unit, Automation Components, with head office in Lainate (Milan), Italy.

Discontinued operations

Under US GAAP, the sale or abandonment of an entire activity results in the transaction being treated as discontinued operations. This implies that the consolidated income statement is made up of two parts, an income statement reflecting the financial performance of the remaining business (continuing operations) and an additional part below the caption «earnings from continuing operations» reflecting the financial consequences of the sale or abandonment of the activity (discontinued operations). The income statement of the previous year is restated in order to allow for direct comparison. The balance sheet as per March 31, 2009 reflects the assets, liabilities and equity of the continuing operations plus a one-line item «net assets of discontinued operations», whereas the previous year's balance sheet has not been restated.

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 4.9% 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 from continuing operations, now relating solely to the Automation Components Business Unit, decreased by CHF 23.0 million or 11.8% (7.2% adjusted for currency effect) from CHF 195.7 million to CHF 172.7 million. Revenue exceeded bookings by CHF 2.2 million for a book-to-bill ratio of 0.99. Group order backlog at year-end amounted to 16.6% of operating revenue, corresponding to work-on-hand of two months in line with previous financial years.

Operating revenue

Consolidated revenue from continuing operations (Automation Components) decreased by CHF 21.7 million or 11.0% (6.5% adjusted for currency effect) from CHF 196.6 million to CHF 174.9 million.

Gross profit margin

The gross profit margin improved by 0.2 percentage points from 52.2% to 52.4% in the reporting period despite the revenue decline.

Operating expenses

Operating expenses from continuing operations as a percentage of operating revenue amounted to 42.2% compared with 39.9% in the previous year. Operating expenses, including selling, general, administrative and R&D expenses, decreased by CHF 4.6 million or 5.9% from CHF 78.5 million to CHF 73.9 million. Investments in sales, marketing and R&D personnel were scaled back only slightly due to the sales decrease. Other income/expense, net, of CHF 1.6 million related mainly to personnel indemnity expense of CHF 1.7 million, whereas the previous year included net income (including gains from the sale of two buildings and provisions no longer required) of CHF 1.2 million.

EBIT

EBIT decreased by CHF 9.1 million or 36.0% from CHF 25.3 million to CHF 16.2 million. As a percentage of operating revenue, it amounted to 9.3%, compared with 12.9% in the previous year.

Net interest turned positive at CHF 0.2 million compared with interest expense of CHF 0.5 million in the previous year as a result of the high cash balances. This year, there was an exchange gain of CHF 0.6 million compared with a loss of CHF 2.2 million in the previous year. The nominal tax rate decreased by 2.3 percentage points from 30.1% to 27.8%.

Net income

Net earnings from continuing operations decreased by CHF 3.6 million from CHF 15.8 million to CHF 12.2 million. The loss from discontinued operations of CHF 4.3 million consisted of the CHF 5.1 million goodwill write-off less profit for the year of CHF 0.8 million. After deducting the discontinued loss from the continuing profit, the resulting shareholders' net income amounted to CHF 8.0 million.

Earnings per share from continuing operations decreased from CHF 22.41 to CHF 17.26 and from shareholders' net income from CHF 23.81 to CHF 11.25.

Balance sheet and cash flow

Trade accounts receivable, net, decreased by CHF 16.3 million from CHF 50.8 million to CHF 34.5 million, corresponding to a collection period of 84 days, compared with 81 days in the previous year, however, as the amount now only includes Automation Components following the discontinuance of Computing Solutions, the equivalent for Automation Components only was 86 days in the previous year. Inventories decreased by CHF 3.2 million from CHF 31.2 million to CHF 28.0 million, corresponding to 2.5 turns after the exclusion of Computing Solutions. Net assets of discontinued operations of CHF 8.6 million represent the items held by Computing Solutions at March 31, 2009 (accounts receivable, inventories, prepaid expenses, fixed assets and accounts payable) for which the cash consideration was received on April 1, 2009. Net working capital decreased by CHF 4.1 million from CHF 47.3 million to CHF 43.2 million. Intangible assets decreased due to the write-off of Computing Solutions goodwill of CHF 5.1 million. The net cash position during the year reached CHF 29.7 million compared with CHF 21.1 million in the previous year.

Shareholders' equity decreased from CHF 107.9 million to CHF 106.9 million or 68.3% of total assets, after net income of CHF 8.0 million, translation losses of CHF 2.0 million, payment of dividends of CHF 7.1 million and a decrease in own shares of CHF 0.1 million.

Cash flow from operating activities before net working capital changes amounted to CHF 17.9 million, a decrease of CHF 5.7 million over the previous year.

Corporate
Group Profile

Our mission
Carlo Gavazzi is an internationally active electronics group designing, manufacturing and marketing electronic equipment targeted at the global markets of factory and building automation.

Our structure
Under the umbrella of a holding company, headquartered in Switzerland, Carlo Gavazzi was organised in two business units until April 1, 2009, when the Computing Solutions Business Unit was divested. 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. The business unit operates separately 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 business unit CEO 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.

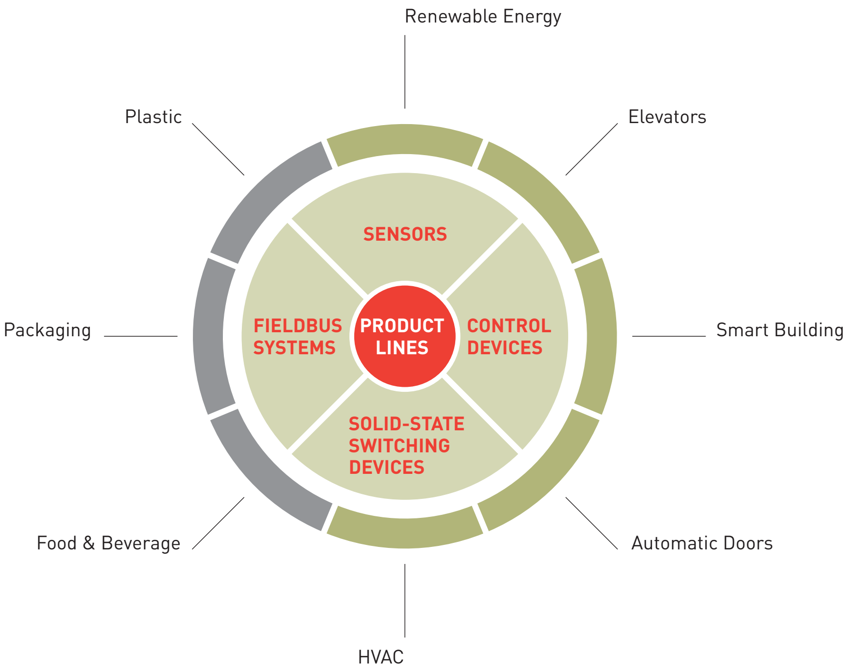
Our core activities
Automation Components
Designs and manufactures electronic control components for the global industrial automation markets in its ISO 9001 certified factories in Italy, Lithuania, Malta and the People's Republic of China. The products (sensors, monitoring relays, timers, energy management 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, renewable energy 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 20 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

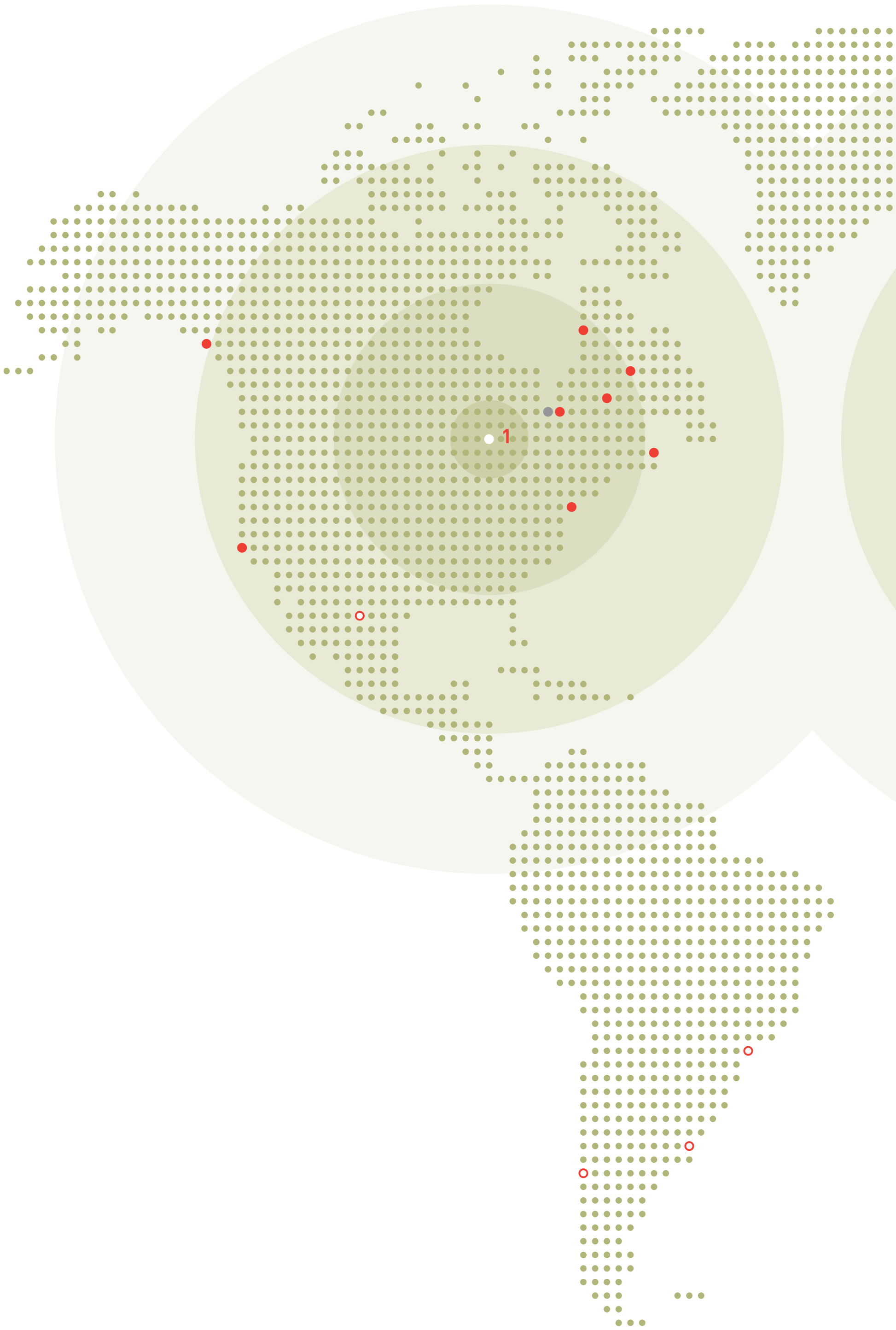


Corporate

Global Presence

SECTORS

- R&D and manufacturing centres
- Logistic centres
- Sales and marketing
- Independent distributors



1 North America

Revenue: CHF 24 million
2 Sales companies
5 Area managers

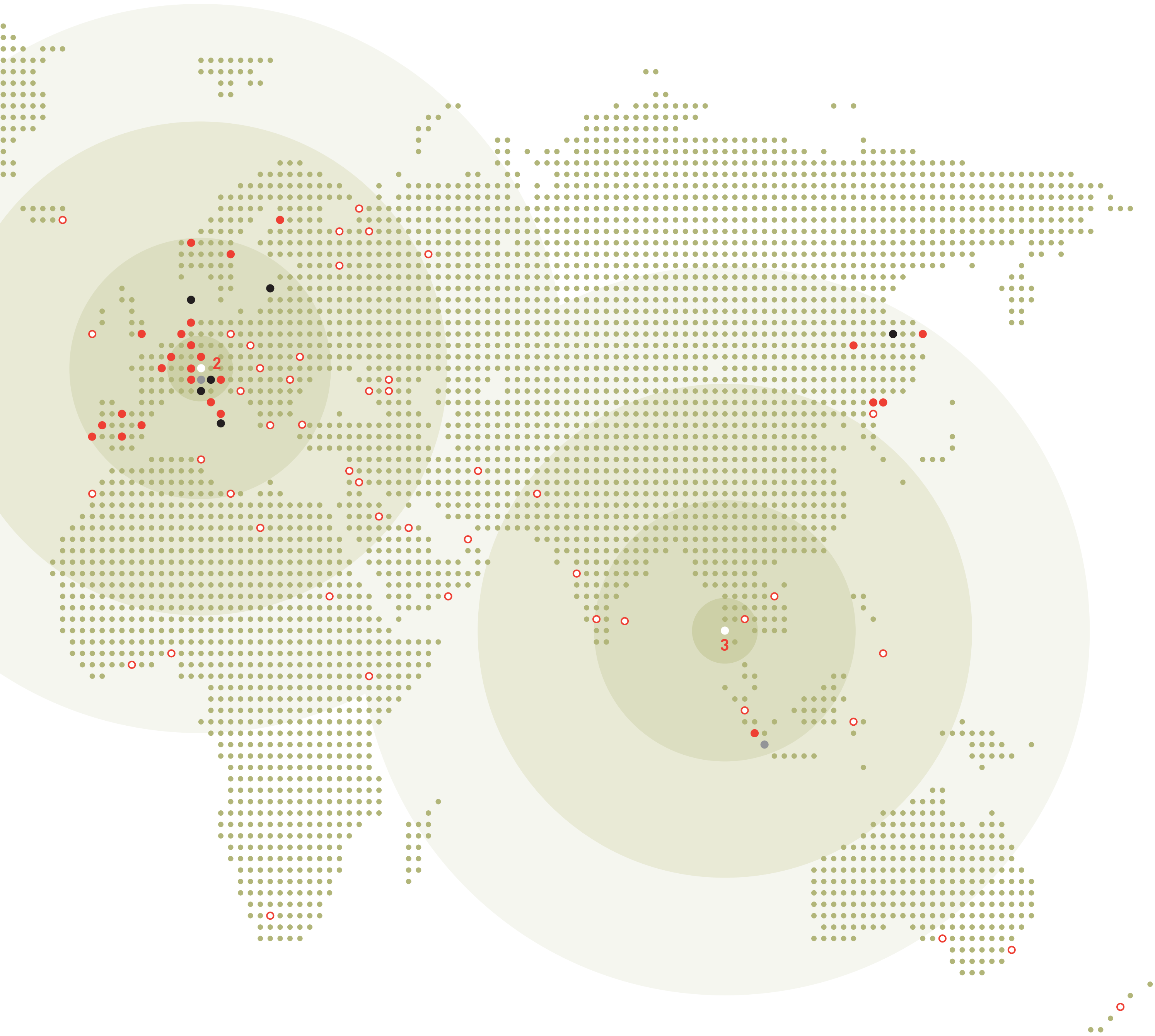
2 EMEA
(Europe, Middle East & Africa)

Revenue: CHF 140 million
3 R&D competence centres
3 Manufacturing facilities
2 Logistic centres
14 Sales companies
5 Regional offices

3 Asia-Pacific

Revenue: CHF 11 million
1 R&D competence centre
1 Manufacturing facility
1 Logistic centre
4 Sales companies
4 Regional offices

Carlo Gavazzi is an internationally active electronics group designing, manufacturing and marketing electronic equipment targeted at the global markets of factory and building automation.



Corporate

Timeline

April

Large contract securing three major OEMs in the heating pumps market in Sweden

May

EM21 energy meter is launched as new metering product worldwide

June

Smart Building packages significantly grow with major installers and system integrators in Norway

July

Breakthrough with a key system integrator in the renewable energy market with energy meters in Belgium

August

First eolic park with mini installations activated in France

September

A brand campaign in the smart house is launched worldwide to promote home automation solutions

Carlo Gavazzi is an innovator designing state-of-the-art products targeted at the global markets of factory and building automation.

October

Supply of capacity level sensors to a European top player in the pellet burners market in Austria

November

Eos Array is launched to monitor efficiency of solar market applications

December

The first automated car park system for South-East-Asia is installed in Singapore

January

The lean manufacturing process methodology is implemented in the Malta sourcing unit

February

RSHL, a new soft start/ stop controller with built-in overload feature is introduced in the US

March

Divestiture of the Computing Solutions Business Unit. Activities are now focused on automation components

Automation Components

Review of Operations

Thanks to positive results in the first semester and despite the anticipated downturn in demand hitting the industry strongly in late autumn, Automation Components coped well with the unfavourable economic environment and achieved a relatively satisfactory result in the full year. EBIT was negatively impacted by lower operating revenue and the strategic decision to maintain sales and marketing as well as R&D resources at the planned level.

Financial results

(EUR million)	**2008/09**	2007/08	%
Bookings	**110.7**	119.3	–7.2
Operating revenue	**112.1**	119.9	–6.5
EBIT	**11.4**	16.1	–29.2
ROS (EBIT/Revenue in %)	**10.2**	13.4	–

Business performance

After the relatively good performance in the first six months, the business unit experienced a slowdown in the second semester resulting in a decrease of bookings and revenue compared with the previous year. Thanks to continuous efficiency improvements in all sourcing facilities and despite the reduced operating revenue, the gross profit margin increased slightly from 52.2% to 52.4%. To secure the long-term position of the business unit and in order to remain fit for any potential increase in demand, Automation Components decided to maintain human resources in marketing, sales and R&D, which resulted in a decrease of EBIT.

Geographical regions

The North American operations benefited from the addition of sales personnel acquiring many new accounts. With a slight revenue decline of less than 4% in local currency, this region achieved a satisfactory result despite the major decrease in demand from its OEM customers.

Mainly due to the severe economic downturn in Iberia, where sales dropped at a double-digit rate, revenue in the European region declined by almost 6%, still an acceptable result in the light of the market environment in the second half of the reporting period.

In the South-East-Asian region, the business unit experienced an 11% decrease of revenue as a result of the strongly declining exports of local manufacturers to Europe and the US.

Products

While sales of solid-state switching devices declined, particularly due to the decreased demand from OEMs such as plastic injection moulding manufacturers, revenue earned with capacitive sensors for various applications increased by almost 5%. In addition, the continuing development efforts in the area of energy management products paid off. Thanks to the comprehensive product portfolio combined with the ongoing requirements for energy saving, this product line achieved a growth of more than 35% over the previous year.

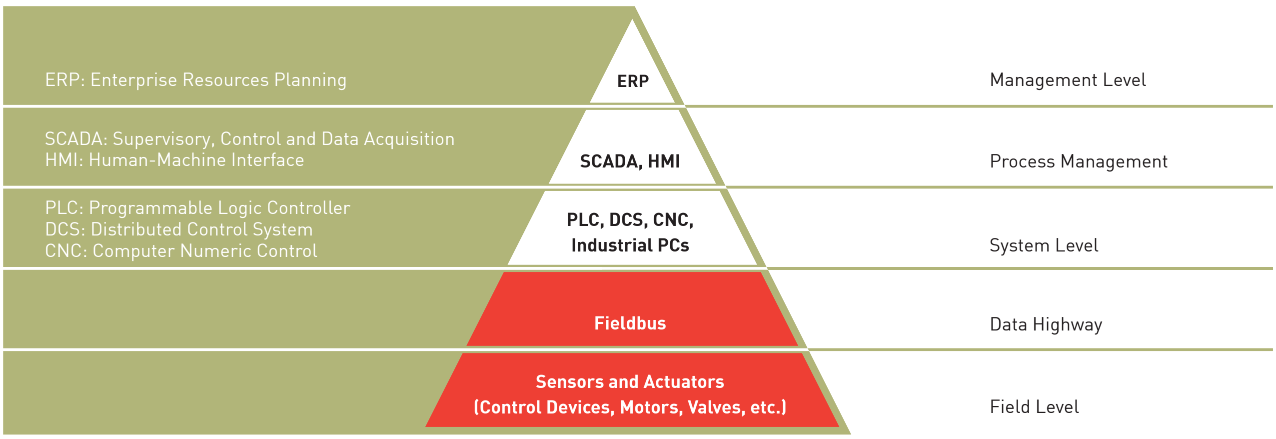
Priority markets

The focus on a selected number of priority market segments was rewarded and sales to these segments increased by over 3% compared with the previous year. A significant growth rate of more than 40% was achieved in the heat, ventilation and air-conditioning (HVAC) market following the launch of new softstarters for heat pumps. Thanks to the introduction of many new products for windmill and photovoltaic applications, revenue from the renewable energy market grew in excess of 20%.

Outlook

In view of the ongoing worldwide financial turmoil and its negative effects on the industry, management considers that the accessible market potential for automation components is not expected to grow in 2009/10. An improvement can be reasonably expected earliest in the 2010 calendar year. Unabated efforts will be made in R&D to strengthen the business unit's position in energy saving and building automation applications in order to offset the anticipated stagnation of sales to the suffering industrial OEMs. The short and medium-term business visibility of Automation Components' customers is limited. As a consequence, the unit has prepared the actions necessary to adapt its manufacturing capacities to any further declining demand. Management predicts a challenging year with lower revenue and profitability.

THE AUTOMATION PYRAMID



Core business

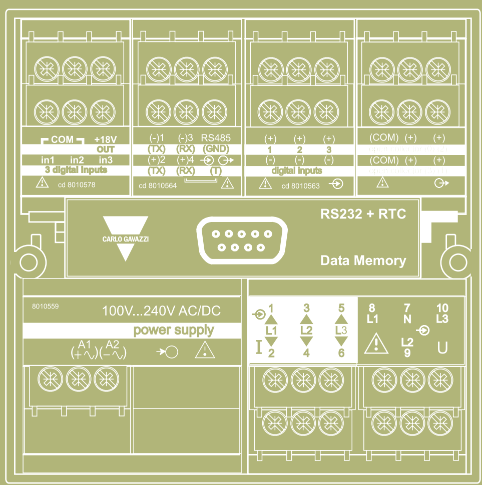
WIND ENERGY

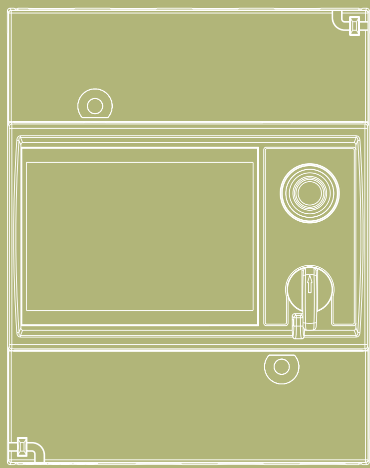
Wind energy is clean, safe, infinite, renewable and is experiencing a significant growth everywhere. According to the Brussels-based Global Wind Energy Council, 94 000 MW were globally installed. The capacity increased by 28% in 2008. This will provide a long-term commitment to renewable energy, giving businesses the certainty they need to invest in new wind energy manufacturing facilities. Every year, installations are becoming more affordable, the technology used in today's systems is more sophisticated and the turbines and rotor blades work with greater efficiency. This can be observed both for high and low scale solutions in very different environments.

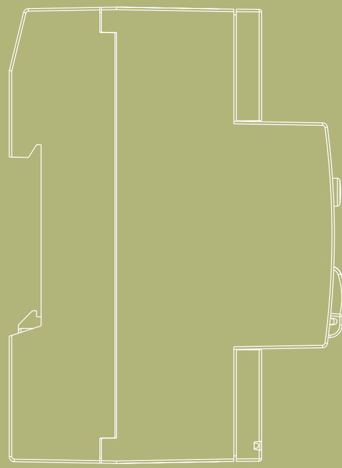
Eight years ago, Global Energy Services (GES) established a relationship with Carlo Gavazzi for the supply of energy equipment to control the electric substations of Gamesa wind parks. Originally intended for components only, the relationship developed into an application exchange and further into a technical know-how partnership based on a problem-solving approach by both sides. Carlo Gavazzi has a 20-year experience in the wind market business which originated from its presence in the Nordic countries, where these applications were first created and tested. The modular capability of PQT90 energy meter designed by Carlo Gavazzi was the breakthrough that made the programming function reliable and stable, even in remote mountain areas. When GES expanded the activity for electric substations using wind energy, Carlo Gavazzi further enhanced the product PQTH with Ethernet communication capability. This solution significantly improved the control and the analysis of the electric output of the windmills and has been implemented ever since.

GES is the leading operator in engineering, installation and maintenance services for the electricity, petrochemical and especially for the renewable energy sector. Since it was founded in 1982, it has played an active part in the development of the electricity sector, and it now stands out as a leading company in the installation and maintenance of wind farms all over the world. Gamesa is one of the main wind turbine manufacturers worldwide and leader in Spain in the sector of the manufacture, sale and installation of wind turbines; it has installed more than 16 000 MW of its main product lines in 20 countries spread over four continents.

The WT3 miniature windmill, a proprietary Carlo Gavazzi product designed, manufactured and installed to locally generate and manage electricity, is used in mini-parks of industrial areas as well as in remote places, due to its capability to work as a system independent from a network. Here is an example installed at the IEFPS school premises of Bilbao.







PQTH analyses the quality of the electric network. Their application in wind generators, control and remotely measure the electric output of the substation.

The Instituto Específico de Formación Profesional Superior San Jorge (IEFPS) hosts the installation of a mini-eolic Carlo Gavazzi station, a WT3 aero-generator used as standard device and as an example for public presentation activities. In addition, a photovoltaic installation features Carlo Gavazzi's inverters and the new monitoring system Eos Array, a cost-effective device featuring a local bus and a data logger designed to secure the system's reliability.

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Guillermo Redondo, GES Engineer
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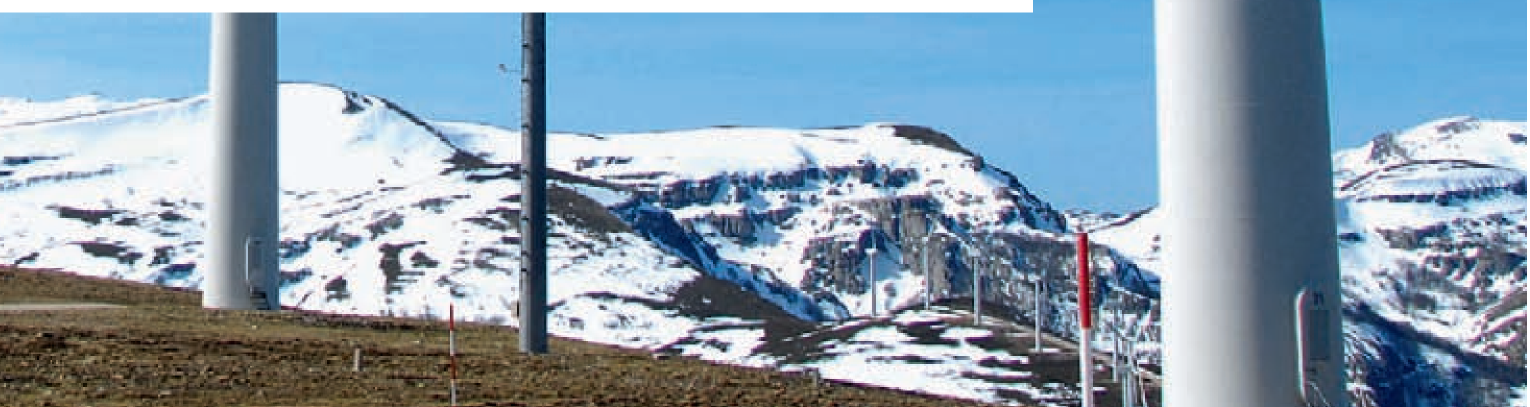
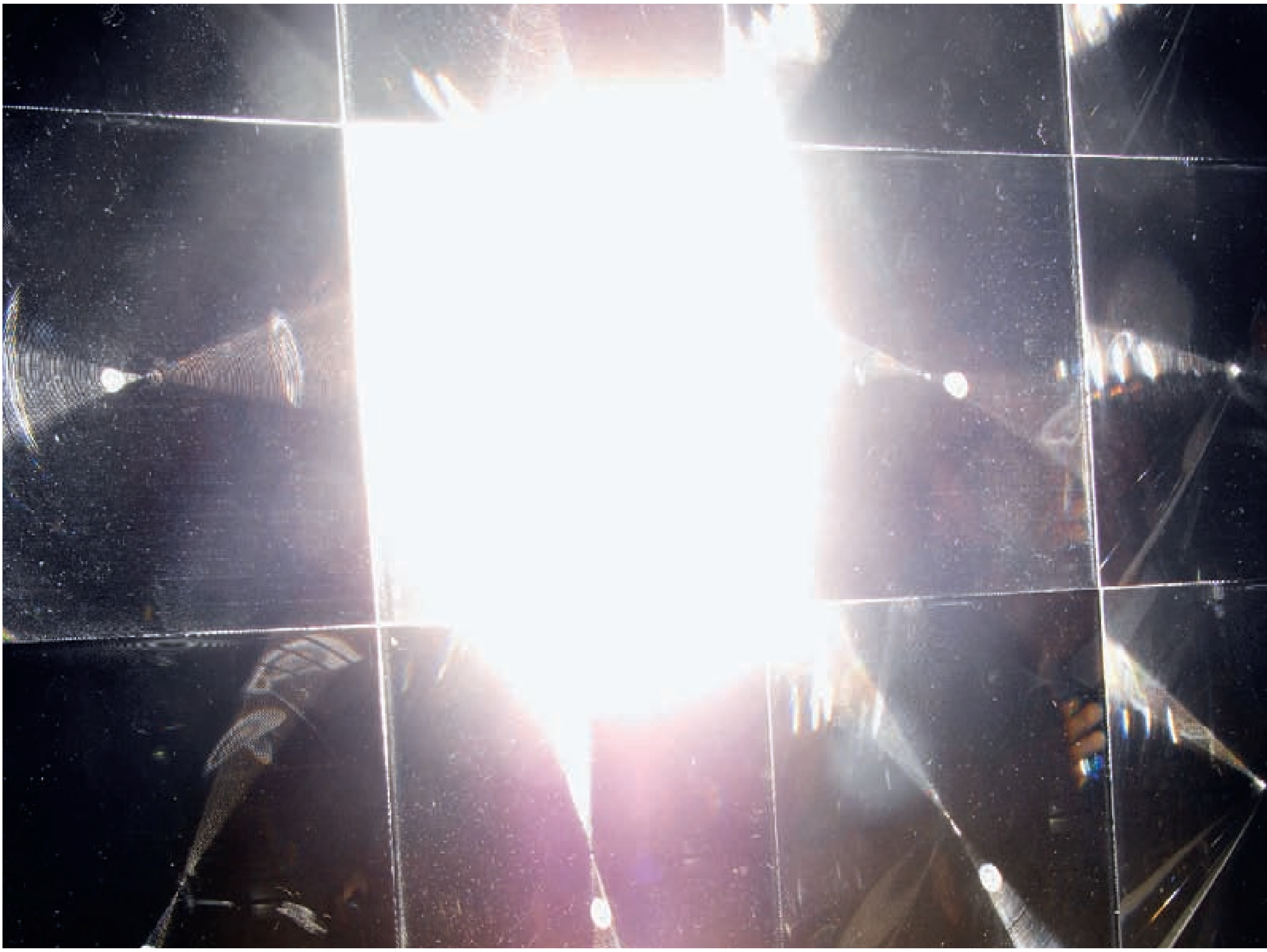
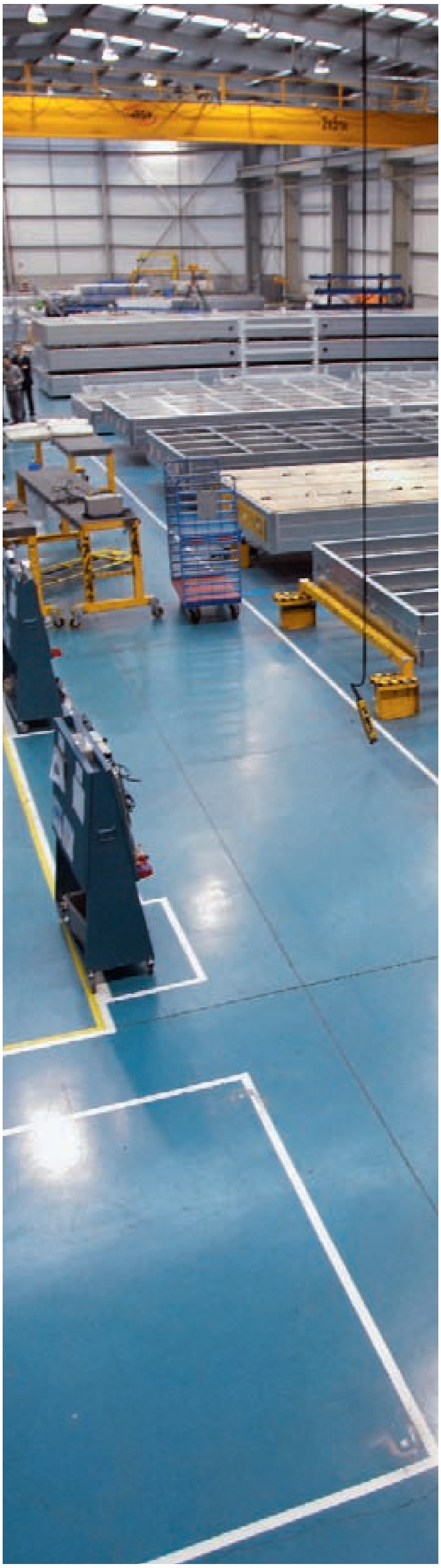
Above:
José Ignacio Bahillo, Gamesa Engineer
Below:
José Ignacio Bahillo and José Luis Fierro, Carlo Gavazzi Marketing Manager





SOLAR ENERGY

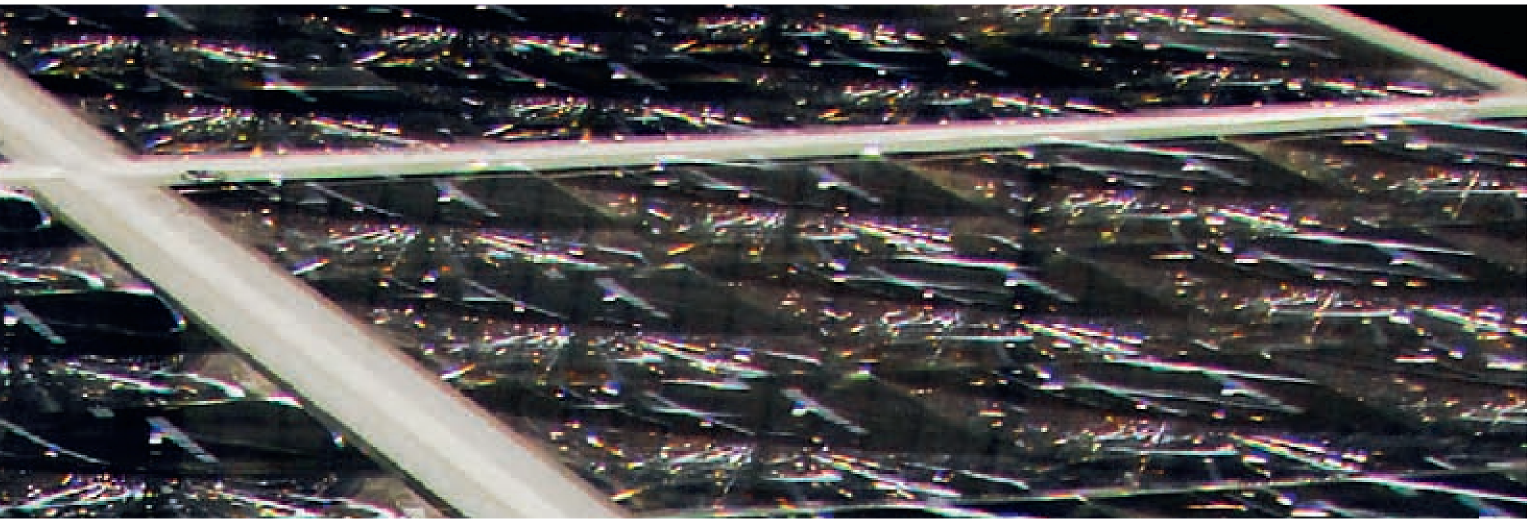
The efficiency of the technology collectively known as photovoltaic is permanently improving thanks to advanced solar cells which absorb light and convert it into electricity and the mirror or lens-based concentrator systems that focus light on them. The technology could soon produce solar power as cheaply as electricity from the grid. The idea of concentrating sunlight to reduce the size of solar cells and, consequently, reducing costs is not new. But interest in the technology has grown in the past years and now a number of companies are investing in research and development resources to develop affordable solutions.

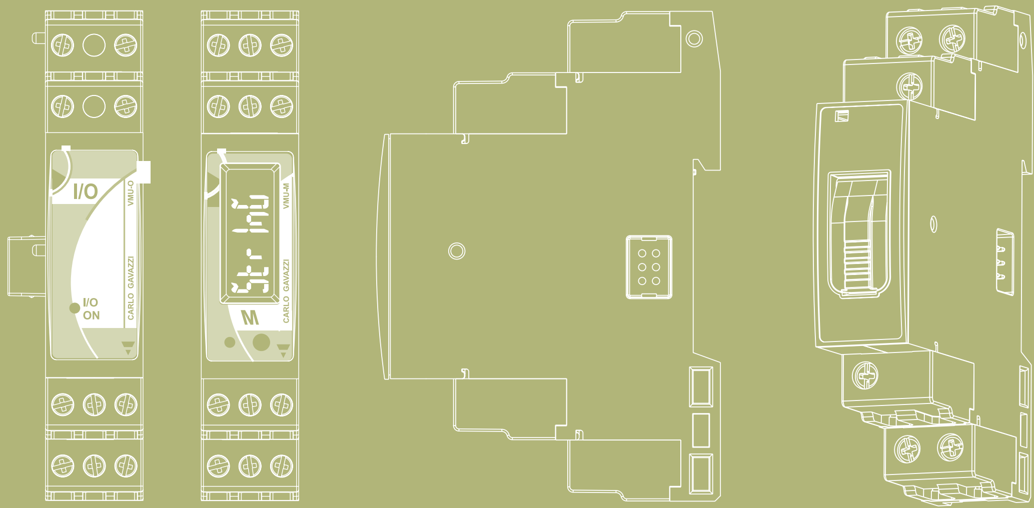


Photovoltaic concentrator units are very different from the traditional photovoltaic modules installed worldwide. Almost 1 200 MW of flat PV modules were manufactured last year. Concentrators come in larger module sizes, typically between 20 and 35 kW each. They track the sun during the day and are more suitable for large utility installations. Focusing on concentrators with special convex lenses, Guascor Foton has been designing, manufacturing and developing turnkey systems of high-concentration technology solar panels since 2005. Their installation of photovoltaic power plants with two-axle followers, with patented technology, allows the company to create both medium and large plants. Medium plants range from 30 kWp to 100 kWp. Kilowatt-peak (kWp) is a measure of the peak output of a photovoltaic system for the production of photovoltaic energy connected to the network. Large plants reach up to 1 MWp for the production of photovoltaic energy connected to the grid.

Carlo Gavazzi used to supply Guascor with energy meters and protection relays. When Guascor began to develop high-concentration photovoltaic panels, they contacted Carlo Gavazzi in order to find a solution for the movement of its sun trackers. Carlo Gavazzi's engineers found a suitable combination of encoders, power supplies, anemometers and inductive sensors to solve the problem. The company is presenting this innovative technology to IEFPS.

IEFPS San Jorge is the main reference in didactic and schooling activities bridging new technologies and industrial applications to research and teaching in the field of alternative energies. IEFPS' research and didactic centre has become a strategic partner and a relevant point of connection among innovative companies who want to share their knowledge in common projects. Carlo Gavazzi is contributing with its know-how in this innovative renewable energy field.

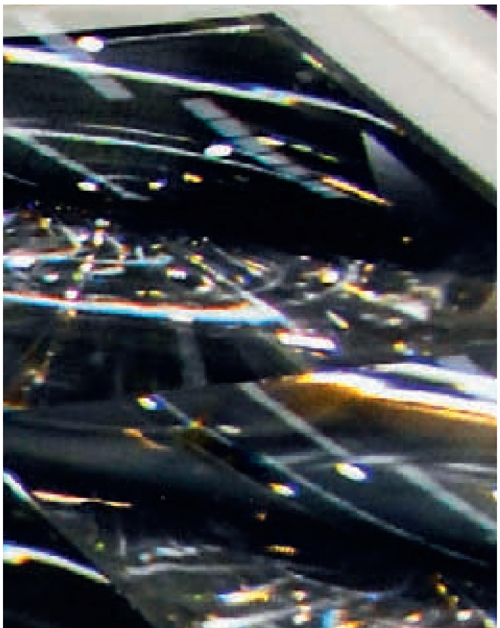


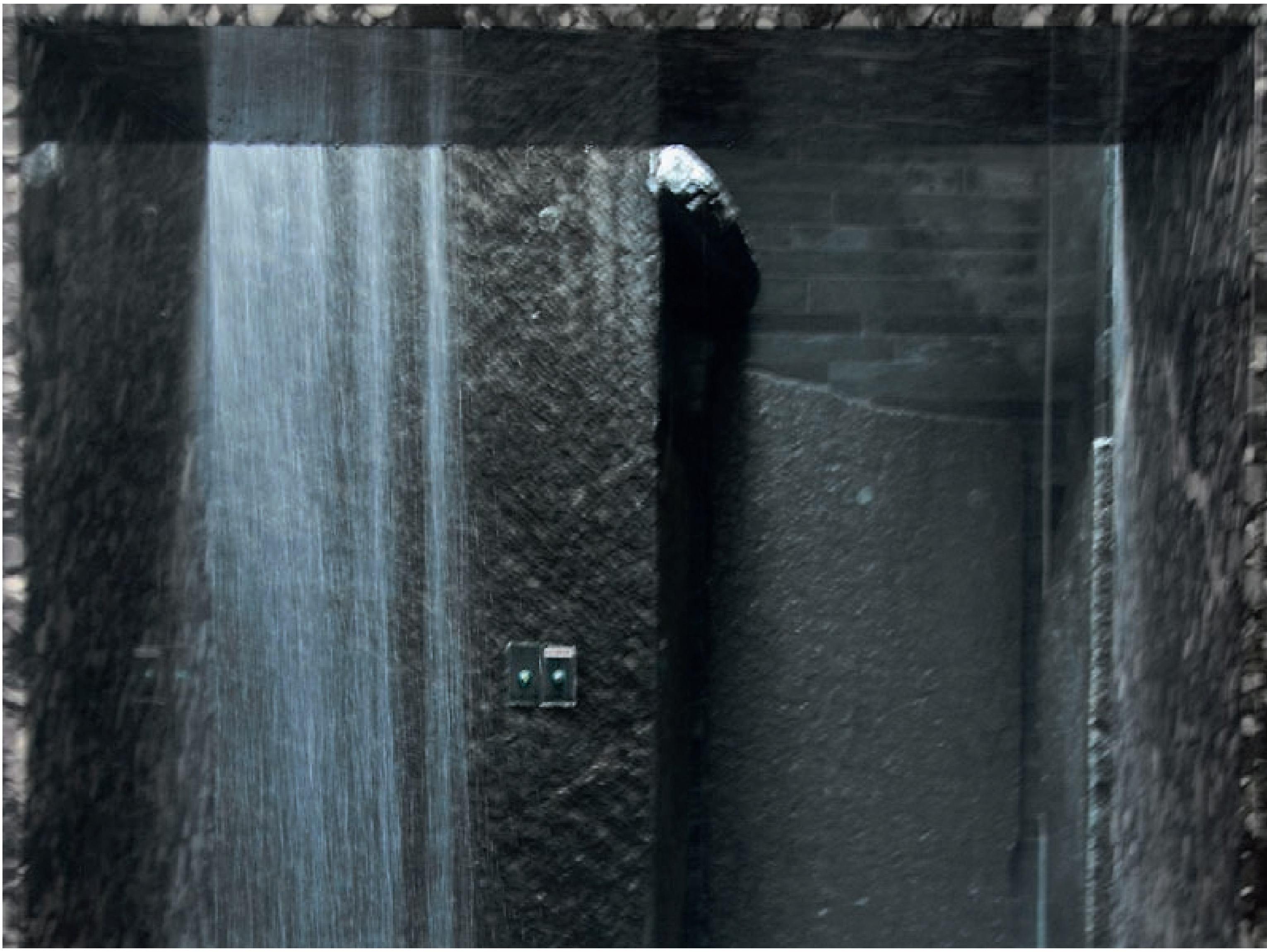


In Guascor's application, encoders and inductive sensors are used in the positioning of the solar tracking systems and the anemometers measure the potential excessive wind in order to maintain a secure positioning. In addition, power supply units were incorporated in the panel in order to feed the system.

At the IEFPS San Jorge premises, WT3 and WTI3 meters are used to manage the locally generated and consumed energy.

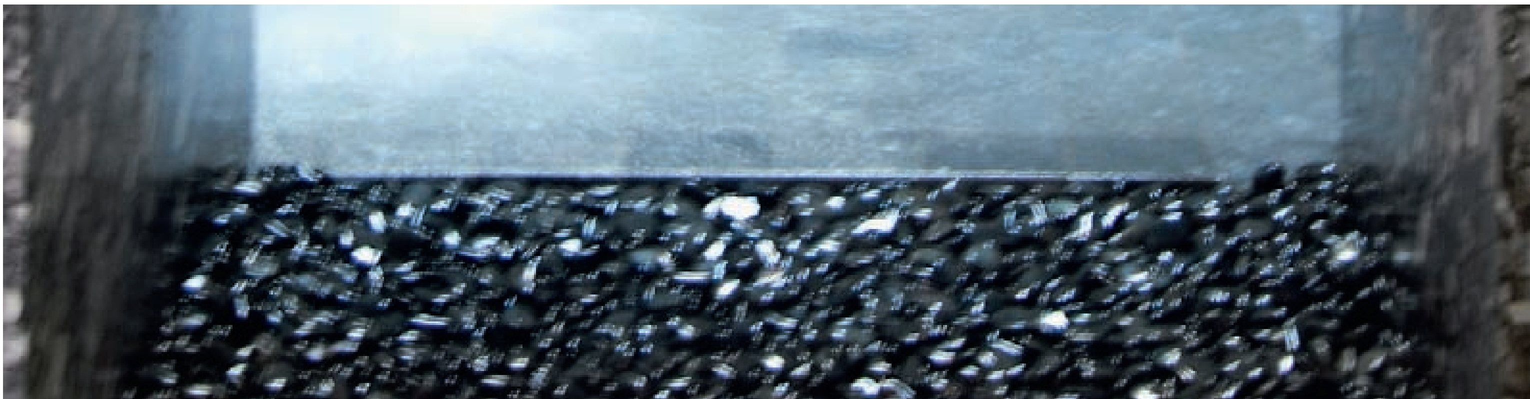
Page 23
Unai Duñabeitia, Carlo Gavazzi Product Manager
Page 24
Alonso del Río, Guascor Panel Specialist
Page 25
Above:
Guascor technicians
Below right:
IEFPS Electronics Class with Professor Rafael Manero
Below left:
Victoria Perez, Technician Guascor





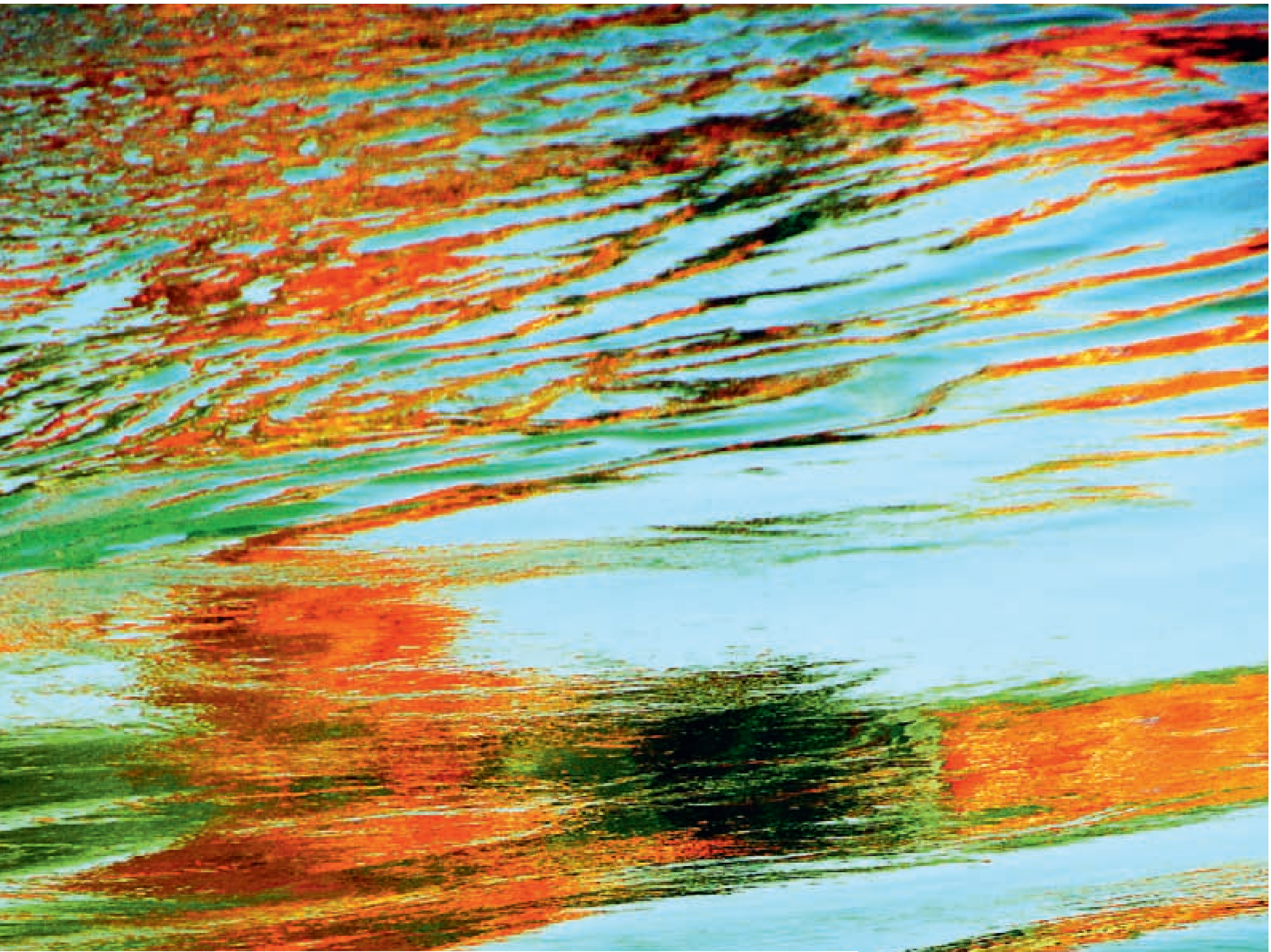
SMART BUILDING

Bathing and healing traditions in Rheinfelden, Switzerland, date back to the 18th century. For many years, the local remedy, the «Natursole®» (natural healing saltwater), has attracted visitors from all over Europe to the small town. In 1974, the Kurzentrum Rheinfelden adopted and continued this tradition, giving it a contemporary, modern slant. With the broadening of the activities, the company has grown in functional and aesthetical regards and has created an intensive salt water pool, in which people can float like in the Dead Sea. Many other treatments are available in this leading bathing and wellness centre.

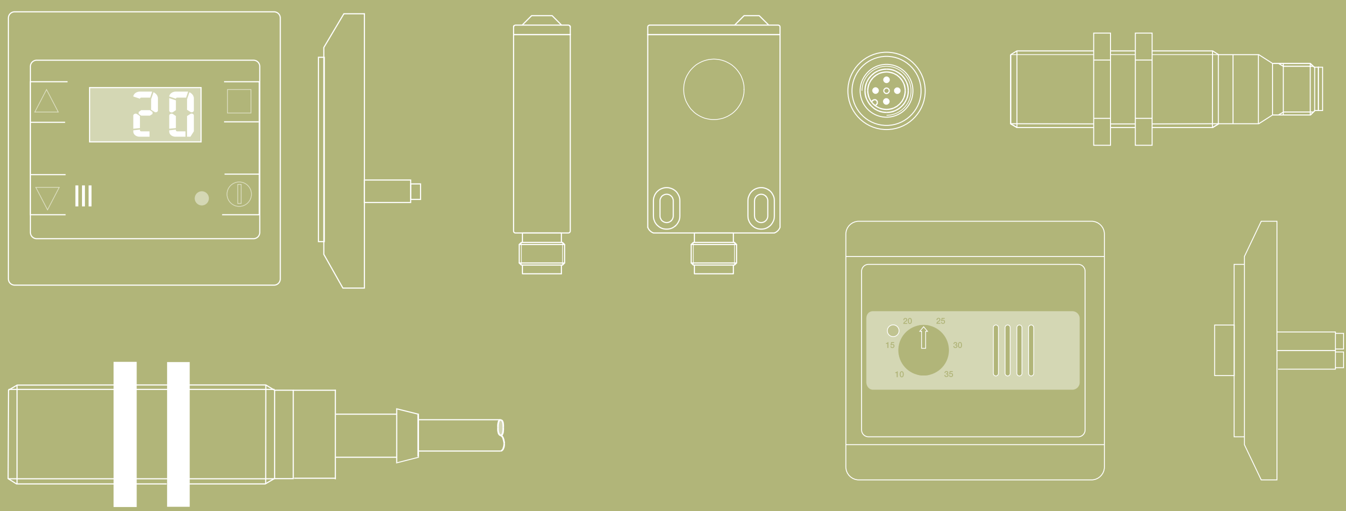


A complex environment with so many functions in different buildings at different levels requires a very flexible system, able to withstand harsh humidity and temperature environments, being interconnected with the entire Rheinfelden facilities, which apart from the bath and wellness centre include a park residence for senior citizens, various restaurants and an automated parking lot. The different possibilities of the system, for example the lighting control of the tennis courts, by means of the personal mobile phone, the opening of doors, gates, entrances and blinds through a remote control system, or the monitoring of all automated functions, can be achieved with Carlo Gavazzi's Smarthouse system. Designed around the three functions of energy saving, comfort and simplicity, it uses the features of Dupline® to connect the information related to energy-saving aspects of a building. The Rheinfelden Kurzentrum decided to automate the facility and housing functions with Carlo Gavazzi's Smarthouse solution installed by Ruther AG.


Lorem do



Today's technology allows retrofitting existing commercial and industrial buildings with intelligent systems which yield 50-75% energy savings. This is significant because of the sheer size of the potential retrofit market. New construction totals some 1% surface of commercial space annually, while the installed space is a hundred times greater. Until recently, it has been cost-prohibitive to convert installed space to smart space. If energy consumption continues to rise, cost savings will become a key factor; lighting alone represents the largest single use of energy in a typical commercial building, some 37% of the total cost. In addition, buildings must reduce their carbon footprint and demonstrate that they are 'green' in order to remain competitive. Smart building is now a viable solution in both large construction and small households, because it reduces energy waste to a measurable level.



All electronic controls of light, blinds, entrances, barriers, parking, water temperature as well as alarms and communication signals are managed through a redundant bus-system based on many different Dupline® modules. Alarms and important messages are automatically transmitted to an alarm-server and communicated to the responsible personnel by SMS. Installed are 130 movement sensors, three rain, two wind and two temperature sensors to detect movements of air, water and people inside and outside the buildings.

In addition, 599 bus-modules with four input signals each manage all alarms and guarantee safety and minimal energy consumption.

Page 29
Daniel Giss, Head of the Technical Department, Bad Rheinfelden
Page 30
Left:
Drazen Nicolic, Project Leader Ruther AG
Right:
Markus Bisig, General Manager, Bad Rheinfelden

FOOD AND BEVERAGE

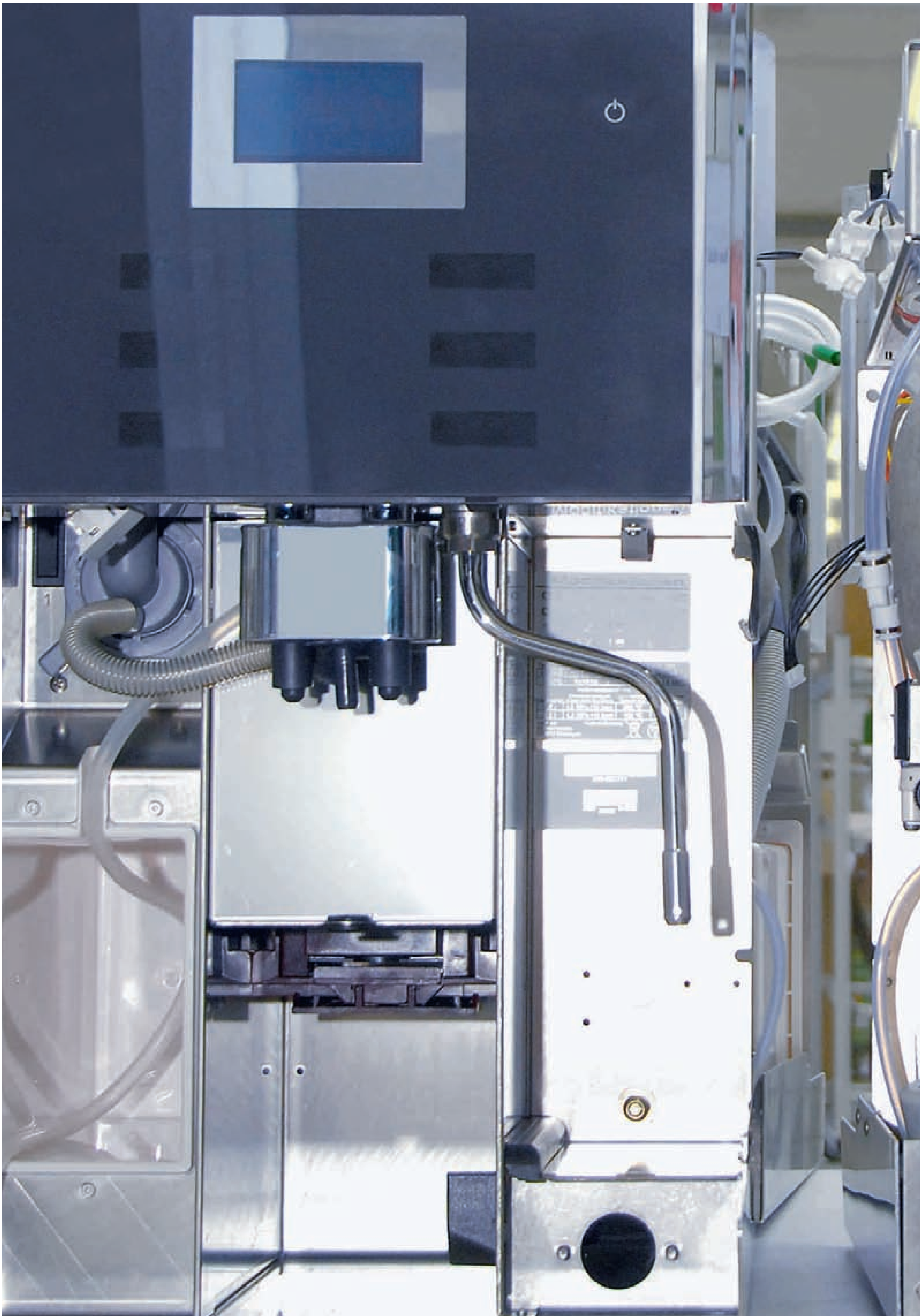
There are few appliances which better reflect the recent lifestyle changes in Western society than the booming market of coffee machine producers. In just over a decade, urban dwellers have consolidated a café society, not only conceived for public spaces, but also for households. A cup of coffee is offered more and more as a special customer service in many different environments. This development generated a drastic increase in the production of professional coffee machines, with a capacity to produce more than 100 cups of coffee per hour.

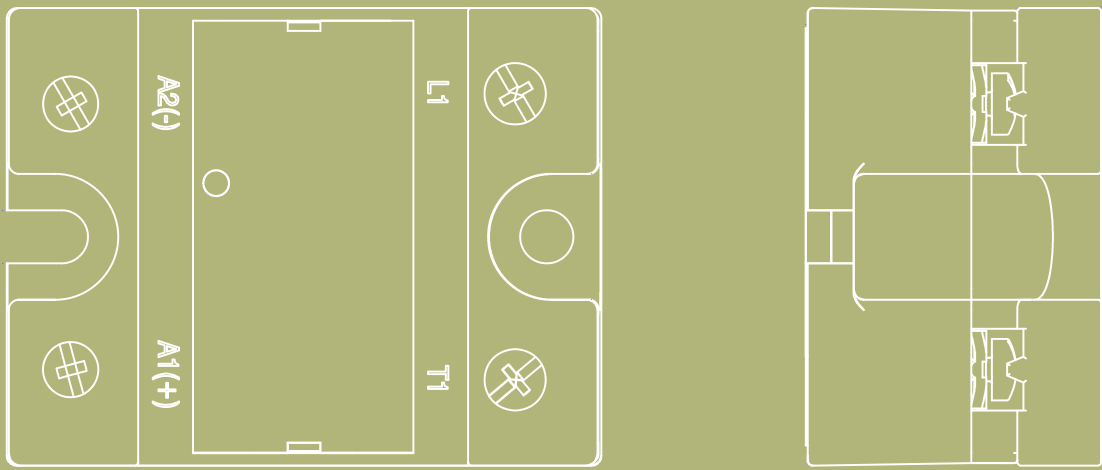
Almost 10 years ago, Carlo Gavazzi started to supply solid-state relays to WMF, headquartered in Geislingen, Germany. Solid-state relays control the heater for hot water and steam generation as well as for switching the motors of the coffee grinders. When a new machine generation was in design, Carlo Gavazzi had the opportunity to develop an innovative technical solution in close cooperation with WMF. The dedicated solid-state relay offered cost savings and benefits in mounting time. For five years, this device has been incorporated in WMF's Presto series, one of the most successful machines. In addition, a flat capacitive sensor is used in the machine to detect the water level in the tank. A good relationship and the hand-in-hand work of the technical staff of WMF and Carlo Gavazzi is part of the success story of this product.


マイルドコーヒー
マッチャラテ
フォームテイリョウ

Developing from a small company named Plaquéfabrik Straub & Schweizer, during the last 150 years, WMF has now become an international industrial enterprise with more than 5 500 employees. It has an excellent brand recognition and is known by more than 90% of the people in Germany. WMF is a global player with 1 850 own shops all over the world and 200 sales centres in Germany, Switzerland and Austria. The company evolved in designing and producing 3D metal surfaces of just about anything. In the 1950s, its metal full-size reproduction of the renaissance cathedral door of Florence proved the unique, galvanic and sculptural skills of the company.

WMF serves gastronomy and hotels with products such as cutlery, kitchenware, tableware and coffee machines. In addition, the company has significantly evolved technology for its main markets in Western Europe and Japan.





The Carlo Gavazzi products in WMF's coffee machines are a flat capacitive sensor and two different solid-state relays. The application for the capacitive sensor is the level-detection of water and milk in the machine. The solid-state relay serves to switch the heater for the water and the steam including a cappuccino function.

Page 35
Monika de Munzio, WMF Corporate Communications Department
Page 36
Above:
WMF coffee machine technician
Below:
Michael Schultze, Carlo Gavazzi Product Manager and Peter Neumayer, WMF Procurement Manager Electronics

Corporate Governance

Carlo Gavazzi Group

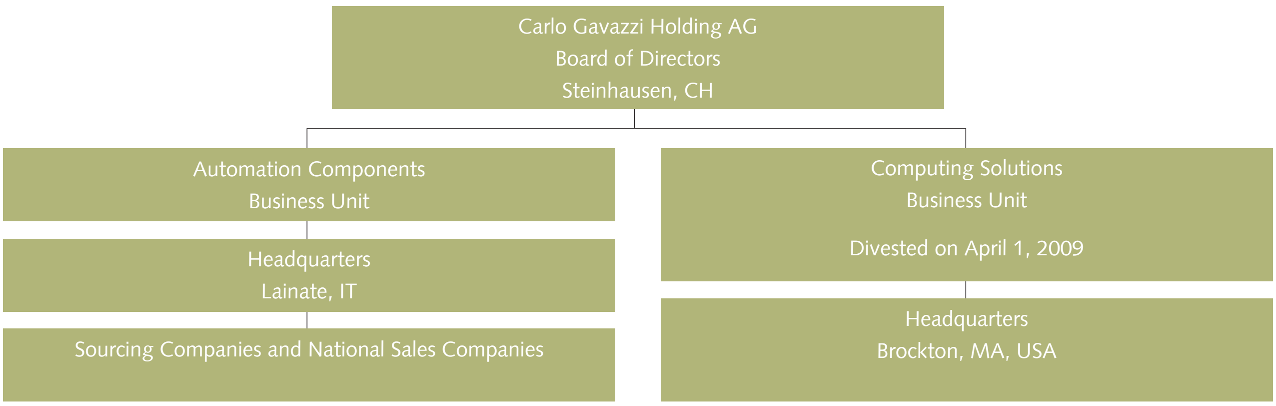
Carlo Gavazzi is committed to the principles of good corporate governance. The company shows responsibility in dealing with the interests of its various stakeholders, which include shareholders, employees, customers and the public. Sound corporate governance principles help to consolidate and strengthen 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 SIX Swiss Exchange on April 17, 2002, applicable as of July 1, 2002. 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.

The information is set out in the order required by the SIX Swiss Exchange guidelines on corporate governance information (RLCG), with subsections being summarised 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:



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 29 «Subsidiaries».

Major shareholders	% of voting rights
Gavazzi family (directly or indirectly)	80.60%
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 authorised, 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, 2007, 2008 and 2009, refer to page 54 of this annual report. There were no changes in the share capital during the years ended March 31, 2008 and 2009. The company has not issued any profit-sharing certificates. There are no restrictions on transferability or registrations. There are no convertible bonds.

Corporate Governance

Board of Directors

3. Board of Directors

The board of directors comprises six members.

1 **Giulio Pampuro**
Italian and Swiss national, Milan
Chairman
First elected 2005, elected until 2009

Graduated in economics and business administration, Bocconi University, Milan. Master of science in economics, London School of Economics
Held positions with First National Bank of Chicago, World Bank, Washington, Pirelli Group, Basle and Milan, and Finarvedi Group, Milan, from 1977 until 2006
Managing Director Barguzin Participation SA, Luxemburg, since 2005
CFO of the CLN Group, Turin, since 2006
Chairman of Carlo Gavazzi Holding AG since 2007

2 **Alessandro Berlingieri**
Italian national, Milan
Director
First elected 2004, elected until 2009

Graduated in economics, Ca'Foscari University, Venice
Held management positions with manufacturing companies in Austria, France, Germany, Italy and Turkey from 1996 until 2001
Chairman Billion SA – Mannesmann Plastic Machinery, France, until 2004
Chairman Barguzin Corporation NV, Curaçao, since 2004
Acting CEO of the Automation Components Business Unit since November 2008

3 **Felix R. Ehrat**
Swiss national, Zumikon ZH
Director
First elected 2007, elected until 2009

Doctorate in law from the University of Zurich (1990), attorney at law (1985)
LL.M. University of the Pacific, McGeorge School of Law (1986)
Associate since 1987 and partner with the law firm Bär & Karrer, Zurich, since 1992. Senior partner since 2003 and as of 2007 chairman of the board of directors of Bär & Karrer AG

4 **Dominique Fässler**
Swiss national, Oberwil-Lieli AG
Director
First elected 2002, elected until 2009

Lic.oec. HSG
Managing Director of Credit Suisse Asset Management, CS Group from 1987 until 2004
Member of the Executive Committee, Vontobel Asset Management AG, Zurich, from 2004 until 2008
Director of Crescendo Management AG, Zurich, since May 2008

5 **Federico Foglia**
Swiss national, Lugano TI
Director
First elected 2004, elected until 2009

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

6 **Stefano Premoli Trovati**
Italian national, Milan
Director
First elected 2008, elected until 2009

Graduated in economics and corporate law, Cattolica University, Milan
Postgraduate degree in tax law
Member of the board of auditors Panaria Group Industrie Ceramiche SpA (listed on the Milan stock exchange), since 2008
Partner of the tax and law firm TFP & Partners, Milan, since January 2009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Honorary chairman
Werner S. Welti, the group's CEO from 1991 until 1997 and Chairman from 2003 until 2007, was appointed Honorary Chairman in July 2007 and remained in office until July 2008.

Internal organisational 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 21 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 five members. They are elected at the annual shareholders' meeting for a term of one year. The members are elected globally unless decided otherwise at the shareholders' meeting.
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, organisational 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 executives responsible for business units attend 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 seven full-day meetings and several 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, 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 organisations. 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 2008/09, the audit committee consisted of Dominique Fässler (chairman), Alessandro Berlingieri and Felix R. Ehrat. In the reporting period, the committee met twice and the auditors participated in both 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 and of the executive management. It also prepares and proposes to the board a compensation policy for the business units that fairly rewards performance and effectively attracts and retains the human resources necessary to successfully lead and manage the units. 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 the business units first line managers. Upon request of the board, it prepares and proposes to the board stock option or share option plans. Upon these proposals, the board ultimately decides on all related remuneration issues.

The compensation committee, established in the financial year 2008/09, consisted of Stefano Premoli Trovati (chairman), Dominique Fässler and Federico Foglia. In the reporting period, the committee met four times.

Board committee members

Name	Audit committee	Compensation committee
Giulio Pampuro		
Alessandro Berlingieri	○	
Felix R. Ehrat	○	
Dominique Fässler	●	○
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 3-year 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 • Business units sub-consolidated • Group consolidated with previous year and budget comparisons
Quarterly	P & L, balance sheets, investments and personnel • Business units 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 – Business unit CEOs
In their functions they report to the full board of directors. They can (but do not have to) be members of the board. As operationally responsible for the business units, they ensure 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, the board delegates to the business unit CEOs the overall management of the industrial and commercial activities of the business units and therefore the conduct of the day-to-day business of the various companies belonging to their respective unit. Their main responsibilities are:

Management of their business unit, preparation of alternatives and proposals for the board in all matters relating to the activities of the business unit, execution of board decisions, regular reporting to the board on business activities and important events, support to the chairman on matters of M&A and divestitures.

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

Areas of responsibility – Group chief financial officer
In his function he reports to the full board of directors. The CFO is responsible for organising 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's of the business units. 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:
Organising and supervising internal controls, ensuring a timely and adequate reporting system, including budgets and 3-year plans, organising and implementing financial planning, tax optimisation, cash and treasury management, organising 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 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, organisation 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.

Corporate Governance

Executive Management

4. Executive management

The executive management of the group comprises the CEOs of the two business units and the corporate functions.

Dino Masili
Italian national

CEO
Automation Components

Until October 31, 2008

2 **Alessandro Berlingieri**
Italian national

Acting CEO
Automation Components

From November 1, 2008

For CV refer to paragraph 3 above (Board of Directors)

Chris Boutilier
US national

CEO
Computing Solutions

Until April 1, 2009

Positions at Augat, New Bedford, MA, from 1985 until 1989
Joined group in 1989 and held various positions in different operating units
General manager of the West-coast facility since 1997
Chief Operating Officer of the business unit since 2005
President of the Computing Solutions Business Unit since 2006

7 **Anthony M. Goldstein**
British and Swiss national

Group Chief Financial Officer

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 and Secretary to the Board
Group Controller since July 2006
Chief Financial Officer since July 2007

8 **Felix Stöcklin**
Swiss national

Head of Corporate Communications

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.

Elements of the compensation system
Board remuneration: Until March 31, 2008, members of the board of directors could elect to take 50% or 100% of their annual board remuneration in the form of Carlo Gavazzi bearer shares multiplied by a factor of 1.05 or 1.1, respectively. As of March 31, 2009, nil (2008 258) bearer shares have been granted to the board members at a cost of CHF nil (2007/08 CHF 48 000).

Profit-sharing plan (PSP): Since June 2004, the company has in place an incentive plan which grants cash awards to the chairman, directors, group executives, first-line managers and holding managers. Under this plan, the participants receive a cash award if certain financial parameters in the group (net income in the financial years 2004/05 to 2006/07 and EBIT in the financial years 2007/08 and 2008/09) are met for a specific financial year. The PSP expense, excluding the discontinued Computing Solutions Business Unit, amounted to CHF nil (2007/08 CHF 1 405 000).

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 defence 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.

The audit fees charged by PricewaterhouseCoopers in 2008/09 amounted to CHF 623 619. In addition, fees for other services charged by PricewaterhouseCoopers in 2008/09 amounted to CHF 119 005.

Fees charged in 2008/09 by other audit companies for auditing certain subsidiaries amounted to CHF 69 494. 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: Felix Stöcklin, felix.stoecklin@carlogavazzi.ch

Carlo Gavazzi Group

Consolidated Financial Statements

for the years ended March 31, 2009 and 2008

Statements of Consolidated Income

for the years ended March 31

(CHF 1 000)	Notes	**2009**	2008
Operating revenue		**174 929**	196 596
Cost of sales		**83 248**	93 983
Gross profit		**91 681**	102 613
Selling, general and administrative expense		**73 883**	78 503
Other (income) expense, net	15	**1 598**	–1 160
Earnings before interest and taxes (EBIT)		**16 200**	25 270
Interest (income) expense, net	16	**–208**	451
Exchange (gain) loss, net		**–617**	2 219
Earnings from continuing operations before income taxes		**17 025**	22 600
Income taxes, net	11	**4 795**	6 799
Earnings from continuing operations		**12 230**	15 801
Loss (gain) from discontinued operations	2	**4 257**	–987
Shareholders' net income		**7 973**	16 788
(CHF)			
Basic and diluted earnings per bearer share from continuing operations	13, 25	**17.26**	22.41
Basic and diluted earnings per bearer share from discontinued operations	13, 25	**–6.01**	1.40
Basic and diluted earnings per bearer share from shareholders' net income	13, 25	**11.25**	23.81

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets

at March 31

Assets (CHF 1 000)	Notes	**2009**	2008
Current assets			
Cash		**37 023**	33 061
Accounts receivable	4, 21, 22	**37 260**	55 501
Inventories	5	**28 009**	31 212
Deferred income taxes	11	**1 925**	2 209
Prepaid expenses		**1 212**	1 234
Other current assets		**2 644**	1 367
Net assets of discontinued operations	2	**8 638**	–
Total current assets		**116 711**	124 584
Non-current assets			
Fixed assets, net	6, 22	**14 406**	16 540
Goodwill	7	**23 650**	28 584
Deposits and long-term receivables		**431**	473
Deferred income taxes	11	**1 223**	951
Total non-current assets		**39 710**	46 548
Total assets		**156 421**	171 132

Liabilities and shareholders' equity (CHF 1 000)	Notes	**2009**	2008
Current liabilities			
Bank overdrafts and short-term debt	8	**4 482**	8 631
Current maturities of long-term debt	9	**840**	559
Accounts payable	10	**13 028**	18 433
Accrued liabilities – current and deferred income taxes	11	**3 509**	4 164
Accrued liabilities – other	12, 23, 24	**19 963**	21 580
Total current liabilities		**41 822**	53 367
Long-term liabilities			
Long-term debt	9	**2 035**	2 740
Staff seniority indemnity	18	**5 259**	5 675
Deferred income taxes	11	**282**	1 234
Other long-term liabilities and capital lease obligations	24	**110**	203
Total long-term liabilities		**7 686**	9 852
Shareholders' equity			
Share capital	13	**10 661**	10 661
Additional paid-in capital		**710**	767
Legal reserves	14	**2 150**	2 150
Retained earnings	14	**113 592**	112 712
Cumulative translation adjustment		**–19 972**	–18 021
Own shares	13	**–228**	–356
Total shareholders' equity		**106 913**	107 913
Total liabilities and shareholders' equity		**156 421**	171 132

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, 2006	**35 536**	**1 812**	**6 830**	**83 177**	**–14 816**	**–902**	**111 637**
Net income				11 525			11 525
Translation adjustments					647		647
Comprehensive income (subtotal)							**12 172**
Repayment of share capital	–24 875					186	–24 689
Purchase of own shares						–1 328	–1 328
Sale of own shares						1 230	1 230
Loss on own shares		–100					–100
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**

See Notes to Consolidated Financial Statements

Statements of Consolidated Cash Flows

for the years ended March 31

(CHF 1 000)	**2009**	2008
Cash flows from operating activities		
Shareholders' net income	**7 973**	16 788
Depreciation	**3 987**	4 658
Loss (gain) on disposal of fixed assets	**49**	–456
Goodwill write-off	**5 122**	–
Change in other non-cash items	**728**	2 607
Subtotal	**17 859**	23 597
Changes in operating assets and liabilities:		
Accounts receivable (Note 21)	**12 272**	2 772
Inventories	**–1 184**	8 341
Prepaid expenses and other current assets	**–1 495**	1 952
Accounts payable, advances and accrued liabilities	**–5 080**	–3 862
Other, net	**–2 158**	–729
Net cash provided (used) by operating activities	**20 214**	32 071
Cash flows from investing activities		
Purchases of fixed assets	**–4 025**	–4 325
Proceeds from disposal of fixed assets	**107**	5 722
Net cash provided (used) by investing activities	**–3 918**	1 497
Cash flows from financing activities		
Dividends paid to shareholders	**–7 093**	–4 931
Purchases of own shares	**–**	–528
Sales of own shares	**71**	1 514
Retirement of short-term debt	**–3 917**	–11 844
Retirement of long-term debt	**–315**	–2 165
Retirement of capital lease obligations	**–111**	–99
Net cash provided (used) by financing activities	**–11 365**	–18 053
Cash		
Net increase (decrease) in cash	**4 931**	15 415
Cash at beginning of year	**33 061**	18 957
Effect of exchange rate changes on cash	**–969**	–1 311
Cash at end of year	**37 023**	33 061
The following items are also included in net cash provided (used) by operating activities:		
Taxes paid	**5 378**	4 685
Interest paid	**557**	1 268

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-collectibility. 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 Financial Accounting Standards Board FAS No. 142, «Goodwill and Other Intangible Assets», 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 Statement of Financial Accounting Standards No. 109 «Accounting for Income Taxes» (SFAS 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 the FASB Interpretation No. 48 «Accounting for Uncertainty in Income Taxes» (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 Financial Accounting Standards Board FAS 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.

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 policy statements associated with each item. The companies are also 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, 2009 and 2008, 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

In June 2006, the Financial Accounting Standards Board issued FIN No. 48, «Accounting for Uncertainty in Income Taxes – an Interpretation of FAS Statement No. 109». This Interpretation clarifies the accounting for uncertainty in income taxes recognised in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. The Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Interpretation is effective for fiscal years beginning after December 15, 2006. The company has adopted the requirements of this Statement as of April 1, 2007 and no adjustment was necessary.

In September 2006, the Financial Accounting Standards Board issued FAS No. 157, «Fair Value Measurements». This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (US GAAP), and expands disclosures about fair value measurements. The Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute.

Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice. The Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The company has adopted the requirements of this Statement as of April 1, 2008.

In September 2006, the Financial Accounting Standards Board issued FAS No. 158, «Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans». This Statement requires an employer to recognise the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognise changes in that funded status in the year in which the changes occur through comprehensive income of a business entity. The Statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. This Statement provides different effective dates for the recognition and related disclosure provisions and for the required change to a fiscal year-end measurement date. An employer with publicly traded equity securities shall initially apply the requirement to recognise the funded status of a benefit plan and the disclosure requirements as of the end of the fiscal year ending after December 15, 2006. The company has adopted this and, as it has no material defined benefit plans, no impact has arisen. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position shall be effective for fiscal years ending after December 15, 2008, and shall not be applied retrospectively. No material impact is expected from adopting this requirement.

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 has adopted the requirements of this Statement as of April 1, 2008.

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 is not expected to have any material impact on the financial statements.

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 is not expected to have any material impact on the financial statements.

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 is not expected to have any material impact on the financial statements.

In May 2008, the Financial Accounting Standards Board issued FAS No. 163 «Accounting for Financial Guarantee Insurance Contracts». This Statement requires recognition of a claim liability prior to an event of default when there is evidence that credit deterioration has occurred in an insured financial obligation. It clarifies how FAS No. 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities and requires expanded disclosures about financial guarantee insurance contracts.

The Statement is effective for years beginning after December 15, 2008, and interim periods within those years, except for certain disclosure requirements which are effective for the first period (including interim periods) beginning after May 23, 2008.

Adoption of the Statement is not expected to have any material impact on the financial statements.

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 have been reported separately as discontinued operations in the Statements of Consolidated Income and the accompanying Notes to the Consolidated Financial Statements and the figures for the previous year have been adjusted and restated to exclude the discontinued operations. The assets held for sale have been classified as net assets of discontinued operations and include 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 amounted to CHF 865 (2007/08 CHF 987) and is stated after crediting income taxes of CHF 867 (2007/08 charging CHF 90). There will be no significant profit/loss on the disposal of the discontinued operations in the financial year 2009/10.

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 is considered to be zero and has been written off in the current year.

The operating revenue of discontinued operations amounted to CHF 31 780 (2007/08 CHF 26 781).

3. Exchange rates

Year-end rates (CHF)

Currency		**2009**	2008
CAD	(1)	**0.90**	0.97
CNY	(100)	**16.67**	14.22
DKK	(100)	**20.33**	21.09
EUR	(1)	**1.51**	1.57
GBP	(1)	**1.63**	1.99
HKD	(100)	**14.70**	12.80
LTL	(100)	**44.00**	45.92
MYR	(100)	**31.19**	31.22
NOK	(100)	**16.98**	19.53
SEK	(100)	**13.86**	16.75
SGD	(1)	**0.75**	0.72
USD	(1)	**1.14**	1.00

Average rates (CHF)

Currency		**2008/09**	2007/08
CAD	(1)	**0.98**	1.12
CNY	(100)	**16.08**	15.56
DKK	(100)	**20.95**	22.01
EUR	(1)	**1.56**	1.64
GBP	(1)	**1.88**	2.33
HKD	(100)	**14.18**	14.87
LTL	(100)	**45.61**	47.50
MYR	(100)	**32.21**	34.50
NOK	(100)	**18.54**	20.59
SEK	(100)	**15.72**	17.63
SGD	(1)	**0.77**	0.79
USD	(1)	**1.10**	1.16

4. Accounts receivable

(CHF 1 000)	**2009**	2008
Trade receivable	**36 229**	52 370
Less allowance for doubtful accounts	**–1 764**	–1 585
Trade receivable, net	**34 465**	50 785
Other receivable – third parties	**2 795**	2 483
Other receivable – related parties (Note 21)	**–**	2 233
Total	**37 260**	55 501

5. Inventories

(CHF 1 000)	**2009**	2008
Finished goods	**18 722**	17 289
Work in progress	**3 897**	6 133
Raw materials and supplies	**9 571**	11 956
Inventories, gross	**32 190**	35 378
Less allowance for valuation	**–4 181**	–4 166
Total	**28 009**	31 212

6. Fixed assets and accumulated depreciation

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**

2008 (CHF 1 000)	Fixed assets at cost	Accumulated depreciation	Net book value
Land	1 375	–	1 375
Buildings and improvements	7 659	5 723	1 936
Leasehold improvements	3 110	1 467	1 643
Machinery and equipment	38 445	29 956	8 489
Furniture and fixtures	4 710	3 633	1 077
Motor cars	2 653	1 756	897
EDP equipment	9 815	8 707	1 108
Construction in progress	15	–	15
Total	**67 782**	**51 242**	**16 540**

Depreciation expense amounted to CHF 3 987 (2007/08 CHF 4 202). Included in fixed assets are assets acquired under capital leases (machinery and equipment and EDP equipment) with original cost of CHF 657 (2008 CHF 700) and accumulated depreciation of CHF 370 (2008 CHF 303). The net book value of buildings includes an amount of CHF 2 085 at March 31, 2009 (2008 CHF 2 190) for one building not utilised for business purposes and provision has been made for impairment of this building of CHF 1 226 (2008 CHF 1 275) using using local market value comparisons.

The fire insurance value of fixed assets (excluding land) amounted to CHF 40 595 (2008 CHF 49 965).

7. Goodwill

(CHF 1 000)	**2009**	2008
Goodwill	**39 607**	48 542
Accumulated amortisation	**15 957**	19 958
Goodwill, net	**23 650**	28 584

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

(CHF 1 000)	Automation Components	Computing Solutions	Total
Balance at March 31, 2007	**24 010**	**5 681**	**29 691**
Translation adjustments	–82	–1 025	–1 107
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**

8. Bank overdrafts and short-term debt

(CHF 1 000)	**2009**	2008
Average borrowings outstanding during year	**8 327**	16 429
Unused short-term bank credit lines	**77 400**	72 500

9. Long-term debt

Long-term debt at March 31, 2009 matures as follows:

(CHF 1 000)	Bank loans	Others	Total
2011	461	379	840
2012	–	382	382
2013	–	240	240
2014	–	107	107
Subsequent years	–	466	466
Non-current maturities	461	1 574	2 035
Current maturities	324	516	840
Total	**785**	**2 090**	**2 875**

Long-term debt bears interest of between 2.0% and 5.4% (according to currency) with a weighted average amounting to approximately 2.9% (2007/08 3.9%).

10. Accounts payable

(CHF 1 000)	**2009**	2008
Trade	**10 973**	15 389
Other	**2 055**	3 044
Total	**13 028**	18 433

11. Income taxes

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

(CHF 1 000)	**2008/09**	2007/08
Current – income taxes	**5 016**	7 971
Current – tax benefit from operating loss carry-forwards	**–349**	–2 431
Deferred – income taxes	**145**	1 613
Deferred – adjustment for rate changes	**–17**	–354
Total	**4 795**	6 799

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. Therefore, 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 are as follows:

(CHF 1 000)	2008/09	2007/08
Earnings before income taxes	**17 025**	22 600
Income tax calculated at a rate of 30% (2007/08 30%)	**5 107**	6 780
Effect of lower rates in other countries	**–657**	–240
Expenses not deductible for tax purposes	**345**	259
Actual tax charge	**4 795**	6 799

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

(CHF 1 000)	2009	2008
Income taxes currently payable	**3 135**	3 832
Current portion of deferred income taxes	**374**	332
Total current and deferred income taxes	**3 509**	4 164
Long-term portion of deferred income taxes	**282**	1 234
Total tax liabilities	**3 791**	5 398
Current portion of deferred income tax benefits	**–1 925**	–2 209
Long-term portion of deferred income tax benefits	**–1 223**	–951
Total tax assets	**–3 148**	–3 160
Net tax liabilities	**643**	2 238

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)	2009	2008
Deferred tax assets:		
Inventories	**1 688**	1 696
Fixed assets	**170**	–
Other assets	**83**	44
Other liabilities	**52**	414
Net operating tax loss carry-forwards	**2 800**	3 750
Gross deferred tax assets	**4 793**	5 904
Valuation allowance	**–2 200**	–3 450
Net deferred tax assets	**2 593**	2 454
Deferred tax liabilities:		
Accounts receivable	**–62**	–91
Fixed assets	**–**	–35
Intangible assets	**–39**	–734
Deferred tax liabilities	**–101**	–860
Net deferred tax assets net of deferred tax liabilities	**2 492**	1 594

For tax return purposes, certain subsidiaries have tax losses available to carry forward against future profits of CHF 9 300 (2008 CHF 12 500). Of these, CHF 4 000 have no expiration date, CHF 50 expire in the year ending March 31, 2010, CHF 350 expire in the year ending March 31, 2011, CHF 100 expire in the year ending March 31, 2014 and CHF 4 800 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 2 800 (2008 CHF 3 750). However, management believes that a valuation allowance of CHF 2 200 (2007 CHF 3 450) is appropriate, given the current estimate of future taxable income in the relevant countries. The balance of CHF 600 (2008 CHF 300) has been capitalised because management is of the opinion that these tax assets will be realised through future taxable earnings or alternative tax strategies.

As of April 1, 2007, the company adopted FIN No. 48 as described in Note 1. As of that date there were 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, 2009:

	Open tax year – examination in progress	Open tax year – examination not yet initiated
USA	2004/05 – 2006/07	2007/08 – 2008/09
Switzerland	–	2007/08 – 2008/09
Italy	2003/04 – 2006/07	2007/08 – 2008/09

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)	2009	2008
Accrued compensation	**10 370**	12 005
VAT	**1 737**	2 427
Sales commission	**109**	197
Capital lease obligations	**125**	143
Freight and duty	**189**	394
Power, telephone and water	**137**	91
Audit fees	**593**	597
Legal fees	**263**	–
Staff leaving costs	**243**	72
Other	**6 197**	5 654
Total	**19 963**	21 580

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 7 249 (2008 CHF 7 432) including an amount of CHF 2 150 (2008 CHF 2 150) for the holding company.

15. Other (income) expense, net

(CHF 1 000)	2008/09	2007/08
Other expense:		
Losses on sale of fixed assets	**76**	104
Personnel indemnity costs	**1 650**	–
Other	**533**	481
Total other expense	**2 259**	585
Other income:		
Gain on sale of fixed assets	**–27**	–637
Rental income	**–62**	–100
Provision no longer required	**–78**	–615
Other	**–494**	–393
Total other income	**–661**	–1 745
Net other (income) expense	**1 598**	–1 160

16. Interest expense, net

(CHF 1 000)	2008/09	2007/08
Interest expense	**557**	996
Interest income	**–765**	–545
Net	**–208**	451

17. Research and development expense

Research and development expense amounted to CHF 6 354 (2007/08 CHF 6 738).

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 650 (2007/08 CHF 671) reflecting amounts contributed to the various plans.

Amounts owed to pension plans at March 31, 2009 amounted to CHF 195 (2008 CHF 193).

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 872 (2007/08 CHF 950). 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 53 427 (2007/08 CHF 57 254).

20. Stock-based compensation plans

Board remuneration: Until March 31, 2008, members of the board of directors could elect to take 50% or 100% of their annual board remuneration in the form of Carlo Gavazzi bearer shares multiplied by a factor of 1.05 or 1.1, respectively. As of March 31, 2009, nil (2008 258) bearer shares have been granted to the board members at a cost of CHF nil (2007/08 CHF 49).

Profit-sharing plan (PSP): In June 2004, the company established an incentive plan for the financial years 2004/05 to 2006/07 which was revised thereafter for the years 2007/08 and 2008/09.

The plan grants cash awards to the directors, group executives, first-line managers and holding managers. Under this plan, the participants receive a cash award if certain financial parameters in the group are met for a specific financial year. The participants can elect to receive Carlo Gavazzi bearer shares at a discount of 10% in lieu of the cash award, but in such a case delivery of the shares awarded will be delayed for six months. The PSP expense amounted to CHF nil (2007/08 CHF 1 405).

21. Related party transactions

At March 31, 2007, a loan amount of CHF 2 333 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. During August 2007, CHF 100 was repaid and the remaining balance of CHF 2 233 due at March 31, 2008 was settled completely in July 2008 in accordance with the original agreement.

22. 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)	**2009**	2008
Land and buildings	**269**	294
Total	**269**	294

The company has guaranteed the debt to banks and other third parties on behalf of consolidated subsidiaries to cover banking facilities amounting to CHF 2 850 (2008 CHF 6 350). 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 FIN No. 45 are not applicable. In addition, no payments are expected to be made under the guarantees described above.

23. Pending legal cases

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

24. 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
2010	1 713	92
2011	1 294	97
2012	1 058	46
2013	768	–
2014	344	–
Subsequent years	11	–
Total	**5 188**	**235**
Less interest		–14
Present value of net minimum lease payments		**221**

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 1 425 (2007/08 CHF 722). Rental income under sub-leases amounted to CHF 111 (2007/08 CHF 109).

25. 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)	**2008/09**	2007/08
Net income from continuing operations	**12 230**	15 801
Less net income allocated to the registered shares	**–5 507**	–7 114
Net income related to the bearer shares (numerator)	**6 723**	8 687
Number of shares (denominator)	**389 544**	387 677
Earnings per share (CHF)	**17.26**	22.41

The number of shares is calculated as follows:

	2008/09	2007/08
Bearer shares of CHF 15	**390 710**	390 710
Average number of own shares held by the company	**–1 166**	–3 291
Planned issue of bearer shares in lieu of board remuneration	**–**	258
Total	**389 544**	387 677

26. 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 that shows both 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.

27. Segment information

Following the discontinuance of the operations of the Computing Solutions Business Unit, 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).

Following the discontinuance of the Computing Solutions Business Unit, prior year figures have been restated.

Operating revenue

(CHF 1 000)	**2008/09**	2007/08
Automation Components	**174 929**	196 596
Total	**174 929**	196 596

EBIT

(CHF 1 000)	**2008/09**	2007/08
Automation Components	**17 748**	26 335
Total segments	**17 748**	26 335
Corporate and adjustments	**1 548**	1 065
EBIT	**16 200**	25 270
Interest expense, net	**–208**	451
Exchange (gain) loss	**–617**	2 219
Earnings from continuing operations before income taxes	**17 025**	22 600

Segment assets

(CHF 1 000)	**2009**	2008
Automation Components	**146 032**	154 238
Total segments	**146 032**	154 238
Corporate and adjustments	**1 751**	2 189
Discontinued operations	**8 638**	14 705
Total group	**156 421**	171 132

Additions to fixed assets

(CHF 1 000)	**2008/09**	2007/08
Automation Components	**4 022**	4 130
Total segments	**4 022**	4 130
Corporate and adjustments	**3**	46
Discontinued operations	**–**	149
Total group	**4 025**	4 325

Depreciation and amortisation

(CHF 1 000)	**2008/09**	2007/08
Automation Components	**3 955**	4 122
Total segments	**3 955**	4 122
Corporate and adjustments	**32**	80
Total group	**3 987**	**4 202**

28. Geographic information

In 2008/09 and 2007/08, no revenue from customers represented more than 10% of the company's consolidated operating revenue.

Operating revenue

(CHF 1 000)	**2008/09**	2007/08
EMEA	**140 312**	158 321
North America	**23 747**	26 306
Asia	**10 870**	11 969
Total group	**174 929**	196 596
of which:		
Switzerland	**3 201**	3 385
Italy	**32 579**	46 445
Spain	**17 074**	22 775
USA	**15 723**	16 432

Long-lived assets

(CHF 1 000)	**2009**	2008
EMEA	**38 053**	38 455
North America	**199**	120
Asia	**1 458**	1 643
Discontinued operations	**–**	6 330
Total group	**39 710**	46 548
of which:		
Switzerland	**95**	153
Italy	**7 645**	9 706
Spain	**1 820**	1 875
USA	**166**	6 423

Employees

(Average Number)	**2008/09**	2007/08
EMEA	**839**	910
North America	**51**	49
Asia	**150**	148
Discontinued operations	**–**	97
Total group	**1 040**	1 204
of which:		
Switzerland	**8**	9
Italy	**187**	196
Spain	**46**	45
USA	**30**	125

29. Subsidiaries

At March 31, 2009 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)
100.00%			**CARLO GAVAZZI PARTICIPATION DANMARK A/S, Hadsten, Denmark**	DKK	10 000
	100.00%		CARLO GAVAZZI GmbH, Vienna, Austria	EUR	73
	100.00%		CARLO GAVAZZI SA, Vilvoorde, Belgium	EUR	224
	100.00%		CARLO GAVAZZI (CANADA) Inc, Mississauga, Canada	CAD	5
	100.00%		CARLO GAVAZZI AUTOMATION (KUNSHAN) Co Ltd, Kunshan, China	CNY	7 484
	100.00%		CARLO GAVAZZI HANDEL A/S, Hadsten, Denmark	DKK	5 000
	100.00%		CARLO GAVAZZI INDUSTRI A/S, Hadsten, Denmark	DKK	10 000
		100.00%	CARLO GAVAZZI INDUSTRI KAUNAS UAB, Kaunas, Lithuania	LTL	35
	100.00%		CARLO GAVAZZI OY AB, Helsinki, Finland	EUR	50
	100.00%		CARLO GAVAZZI Sàrl, Roissy, France	EUR	274
	100.00%		CARLO GAVAZZI GmbH, Weiterstadt, Germany	EUR	2 000
	100.00%		CARLO GAVAZZI UK Ltd, Aldershot, Great Britain	GBP	100
	100.00%		CARLO GAVAZZI SpA, Lainate, Italy	EUR	2 300
	100.00%		CARLO GAVAZZI AUTOMATION SpA, Lainate, Italy	EUR	7 180
	100.00%		CARLO GAVAZZI LOGISTICS SpA, Lainate, Italy	EUR	1 500
	100.00%		CARLO GAVAZZI CONTROLS SpA, Belluno, Italy	EUR	916
	100.00%		CARLO GAVAZZI AUTOMATION (M) Sdn Bhd, Petaling Jaya, Malaysia	MYR	730
	100.00%		CARLO GAVAZZI Ltd, Zejtun, Malta	MTL	450
	100.00%		CARLO GAVAZZI BV, Beverwijk, Netherlands	EUR	136
	100.00%		CARLO GAVAZZI AS, Porsgrunn, Norway	NOK	1 000
	100.00%		CARLO GAVAZZI Lda, Lisbon, Portugal	EUR	25
	100.00%		CARLO GAVAZZI AUTOMATION SINGAPORE Pte Ltd, Singapore	USD	358
		100.00%	CARLO GAVAZZI AUTOMATION (CHINA) Co Ltd, Shenzen, China	CNY	1 735
		100.00%	CARLO GAVAZZI AUTOMATION HONG KONG Ltd, Hong Kong	HKD	50
	100.00%		CARLO GAVAZZI SA, Leioa, Spain	EUR	451
	100.00%		CARLO GAVAZZI AB, Karlstad, Sweden	SEK	800
	100.00%		CARLO GAVAZZI AG, Steinhausen, Switzerland	CHF	200
	100.00%		CARLO GAVAZZI Inc, Buffalo Grove, USA	USD	5
100.00%			**CARLO GAVAZZI COMPUTING SOLUTIONS, Inc, Brockton, MA, USA**	USD	6
100.00%			**CARLO GAVAZZI INTERNATIONAL NV, Curaçao, Netherlands Antilles**	CHF	24 000
100.00%			**CARLO GAVAZZI MARKETING AG, Steinhausen, Switzerland**	CHF	500
100.00%			**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 Finance Ltd, Jersey, Channel Islands, was liquidated.

In 2007/08, the major change was as follows:
Carlo Gavazzi Logistics SpA, Lainate, Italy, was transferred from Carlo Gavazzi Automation SpA, Lainate, Italy, to Carlo Gavazzi Participation Danmark A/S, Hadsten, Denmark.

Carlo Gavazzi Group

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 52 to 70) for the year ended March 31, 2009.

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, 2009 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 9, 2009

Carlo Gavazzi Holding AG

Financial Statements

for the years ended March 31, 2009 and 2008

Statements of Income
for the years ended March 31

(CHF 1 000)	Notes	2009	2008
Investment result			
Dividend income		**7 823**	7 483
Gain on own shares	5	**–**	443
Loss on own shares	5	**–119**	–
Net investment result		**7 704**	7 926
Financial result			
Financial income – interest		**861**	874
Financial expense – exchange loss		**–62**	–13
Financial expense – interest		**–81**	–225
Net financial result		**718**	636
Miscellaneous result			
Administrative and other expense		**–1 648**	–415
Net miscellaneous result		**–1 648**	–415
Income before taxes		**6 774**	8 147
Taxes		**93**	1
Net income		**6 681**	8 148

See Notes to Financial Statements

Balance Sheets
at March 31

Assets (CHF 1 000)	Notes	2009	2008
Current assets			
Liquid funds		**369**	670
Marketable securities – own shares	5	**81**	270
Other accounts receivable – third parties		**10**	37
Other accounts receivable – group companies		**8 698**	9 107
Total current assets		**9 158**	10 084
Non–current assets			
Financial assets – investments, gross	2	**90 150**	90 170
Financial assets – provision for investments		**–20 000**	–20 000
Financial assets – investments, net		**70 150**	70 170
Financial assets – loans to group companies		**9 368**	8 821
Total non-current assets		**79 518**	78 991
Total assets		**88 676**	89 075

Liabilities and shareholders' equity (CHF 1 000)	Notes	2009	2008
Current liabilities			
Bank loans and overdrafts		**2 850**	3 000
Other short-term liabilities – third parties		**72**	89
Other short-term liabilities – group companies		**–**	21
Provisions – taxes		**3**	3
Accrued expenses		**557**	356
Total short-term liabilities		**3 482**	3 469
Total liabilities		**3 482**	3 469
Shareholders' equity			
Share capital	4, 5	**10 661**	10 661
Legal reserves – general		**2 150**	2 150
Legal reserves – own shares	5	**240**	375
Free reserves		**61 057**	60 922
Retained earnings		**11 086**	11 498
Total shareholders' equity		**85 194**	85 606
Total liabilities and shareholders' equity		**88 676**	89 075

See Notes to Financial Statements

Statements of Changes in Retained Earnings and Reserves

at March 31

Retained earnings
(CHF 1 000)

Balance March 31, 2007	**18 281**
Dividend paid	–4 975
Dividend on own shares	44
Transfer to free reserves	–10 000
Net income 2007/08	8 148
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**

Legal reserves – general
(CHF 1 000)

Balance March 31, 2007	**8 447**
Transfer to free reserves	–6 297
Balance March 31, 2008 and 2009	**2 150**

Free reserves
(CHF 1 000)

Balance March 31, 2007	**44 180**
Change in legal reserves – own shares	445
Transfer from retained earnings	10 000
Transfer from legal reserves	6 297
Balance March 31, 2008	**60 922**
Change in legal reserves – own shares	135
Balance March 31, 2009	**61 057**

Appropriation of retained earnings
(CHF 1 000)

Proposals of the board of directors for 2008/09

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	7 532
Retained earnings per balance sheet	**11 086**

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 2 850 (2008 CHF 6 350).

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 29 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 (2008 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 (2008 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 (2008 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% (2008 80.7%) and Vontobel Fonds Services AG holds 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, 2007	**5 160**	
Purchases May 2007	2 002	262.85
Disposals June 2007	–4 409	274.25
Disposals August 2007	–464	302.00
Disposals January 2008	–867	191.00
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**	

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 26 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 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**

Details of total remuneration to members of the board of directors pursuant to the Swiss Code of Obligations for 2007/08:

(CHF 1 000)	Giulio Pampuro Chairman	Alessandro Berlingieri Member	Felix R. Ehrat Member	Dominique Fässler Member	Federico Foglia Member	Total Board of Directors
Salaries, gross – fixed	363	34	10	10	6	**423**
Bonus, gross – variable	20	20	20	20	20	**100**
Shares – fixed	–	–	16	16	16	**48**
Employer's social security costs	3	3	3	3	3	**15**
Lump-sum expenses	9	11	11	11	9	**51**
Total 2007/08	**395**	**68**	**60**	**60**	**54**	**637**

No share option plans currently exist.

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 worth a total of CHF 229 (2007/08 CHF 70) from Bär & Karrer AG.

Alessandro Berlingieri provided advisory services to the company during the year worth a total of CHF 148 (2007/08 CHF nil). He also acted as CEO of the Automation Components Business Unit since November 2008 and was remunerated with a total of CHF 439 (2007/08 CHF nil).

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**

Details of remuneration to group management and the highest-paid person pursuant to the Swiss Code of Obligations for 2007/08 were as follows:

(CHF 1 000)	Dino Masili CEO ACBU	Total Group Management
Salaries, gross – fixed	418	**994**
Bonus, gross – variable	633	**957**
Employer's social security and insurance costs	17	**117**
Lump-sum expenses	–	**8**
Company car	6	**20**
Total 2007/08	**1 074**	**2 096**

There are no share option plans in existence.

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 shares	–	348	212	1 786	911	**–**	**3 257**
In percentage of share capital	–	0.05	0.03	0.25	0.13	**–**	**0.46**
Value of shares (CHF 1 000)	–	31	19	160	81	**–**	**291**

Disclosure of board of directors' shareholdings pursuant to the Swiss Code of Obligations at March 31, 2008:

	Giulio Pampuro Chairman	Alessandro Berlingieri Member	Felix R. Ehrat Member	Dominique Fässler Member	Federico Foglia Member	Total Board of Directors
Number of shares	–	348	–	1 700	699	**2 747**
In percentage of share capital	–	0.05	–	0.24	0.10	**0.39**
Value of shares (CHF 1 000)	–	66	–	323	133	**522**

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):

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

Disclosure of group management's shareholdings pursuant to the Swiss Code of Obligations at March 31, 2008:

	Chris Boutilier CEO CSBU	Dino Masili CEO ACBU	Anthony M. Goldstein CFO	Felix Stöcklin Head Corp. Communications	Total Group Management
Number of shares	–	–	–	50	**50**
In percentage of share capital	–	–	–	–	**–**
Value of shares (CHF 1 000)	–	–	–	10	**10**

Details of total remuneration to former members of the board of directors pursuant to the Swiss Code of Obligations for 2008/09 and 2007/08 were as follows:

The former chairman, Werner S. Welti, resigned on July 26, 2007 and received compensation for the period April 1, 2007 to July 26, 2007 as executive chairman and for the period thereafter until July 24, 2008 as honorary chairman.

His two companies, WSW Management Consulting, Zug, and Coplax Industrie AG, Zug, contracted with Carlo Gavazzi Holding AG to provide his management services until July 24, 2008 and the following amounts were paid or accrued:

(CHF 1 000)	**2008/09**	2007/08
Consulting fees	**80**	400
Bonus	**–**	350
Honorary chairman fee	**10**	20
Lump-sum expenses	**8**	26
Total	**98**	796

Carlo Gavazzi Holding AG

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 74 to 80), for the year ended March 31, 2009.

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, 2009 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 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

Joanne Burgener Audit expert Auditor in charge	Sophie Mathonnet Zwicky Audit expert

Zug, June 9, 2009

Carlo Gavazzi Group

Group Companies

Carlo Gavazzi Group

Headquarters

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

Automation Components Business Unit

Headquarters

Italy	CARLO GAVAZZI AUTOMATION SPA	+39 02 931 761	info@gavazzi-automation.com

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
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www.gerryebner.ch

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Courtesy of:

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www.gamesacorp.com/es

GES Global Energy Services, Madrid, Spain
www.services-ges.com

Guascor Foton, Ortuella (Bizkaia), Spain
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www.san-jorge.org

Kurzentrum Rheinfelden, Bad Rheinfelden, Switzerland
www.kurzentrum.ch

WMF Württembergische Metallwarenfabrik AG, Geislingen, Germany
www.wmf.com

Information for Investors

Registered shares		2008/09	2007/08	2006/07	2005/06	2004/05
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

The registered shares are not listed 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	**90**	190	275	209	116
Share price – high	CHF	**200**	319	278	229	121
Share price – low	CHF	**85**	180	183	103	74
Average daily volume	Number	**311**	624	922	1 366	962
P/E Ratio	Factor	**8.0**	8.0	16.9	12.2	12.1
Basic earnings per share	CHF	**11.3**	23.8	16.3	17.1	9.6
Book value per share	CHF	**150**	152	139	157	142
Stock market capitalisation	CHF 1 000	**63 964**	135 035	195 445	148 500	82 400
– in percentage of revenue	%	**36.6**	60.5	90.6	68.5	40.8
– in percentage of equity	%	**59.8**	125.1	197.6	133.0	81.7
Dividend per share	CHF	**5.0***	10.0	7.0	–	5.0
– dividend yield	%	**5.6***	5.3	2.5	–	4.3
– total pay-out	CHF 1 000	**3 554***	7 107	4 975	–	3 554
– pay-out ratio	%	**44.6***	42.3	43.2	–	52.3
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, 2009

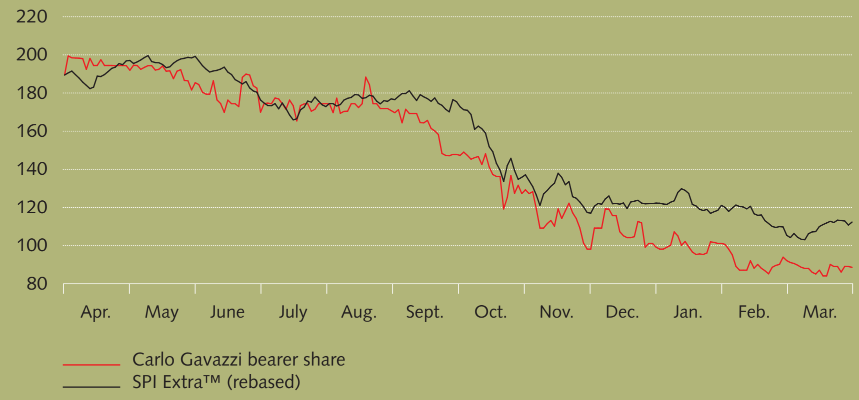
35 270 bearer shares (CHF 529 050)	For issue to employees and members of the board of directors of the company or subsidiaries

Financial calendar

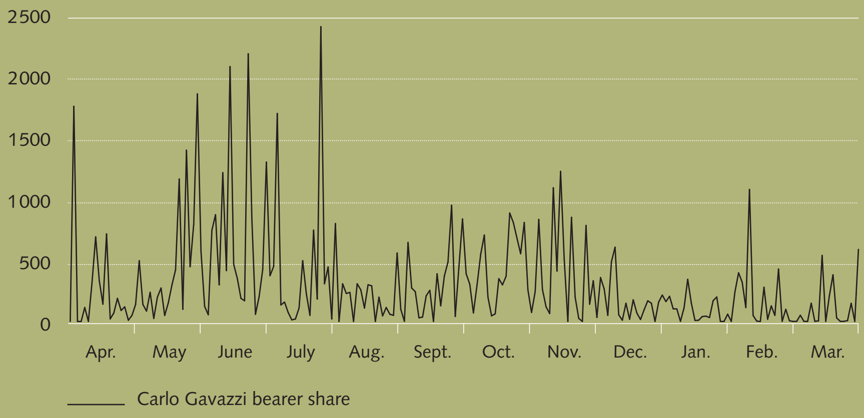
Shareholders' meeting 2008/09	July 23, 2009, at the Congress Center Metalli, Zug
Interim report 2009/10	November 20, 2009
Press and financial analysts' meeting 2009/10	June 24, 2010, at the Widder Hotel, Zurich
Shareholders' meeting 2009/10	July 27, 2010, at the Congress Center Metalli, Zug

Information for Investors

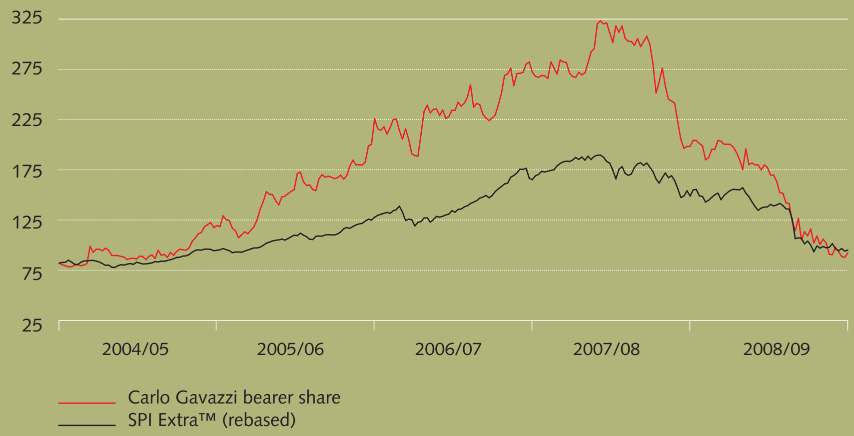
Share price
1.4.2008 –
31.3.2009
(CHF)



Share volume
1.4.2008 –
31.3.2009
(Number)



Share price
1.4.2004 –
31.3.2009
(CHF)



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