CARLO GAVAZZI

Annual Report 2010 / 11

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CARLO GAVAZZI
1931–2011

Energy to Components!

At a Glance
Five-Year Financial Summary

Five-Year Financial Summary

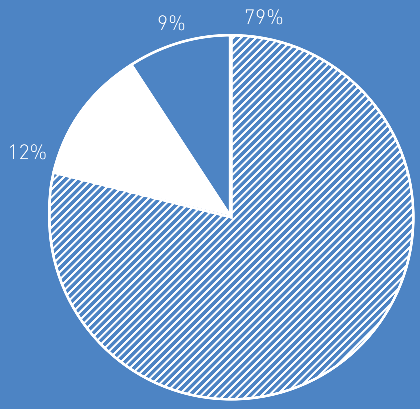
(in CHF million)	**2010/11**	2009/10*	2008/09**	2007/08	2006/07
Bookings	**185.6**	152.7	172.7	228.2	221.6
Order backlog	**29.8**	30.0	29.0	49.5	50.8
Operating revenue	**181.9**	149.6	174.9	223.4	215.7
Gross profit	**98.5**	81.3	91.7	109.4	100.9
EBITDA	**35.7**	16.6	20.2	31.3	25.0
EBIT	**31.8**	12.7	16.2	26.7	20.2
Earnings before taxes	**31.2**	12.5	17.0	23.7	19.0
Net income from continuing operations	**22.7**	7.7	12.2	16.8	14.9
Net income including discontinued operations			8.0		11.5
Cash flow***	**26.6**	11.7	17.9	23.6	18.8
Depreciation and amortization	**3.9**	3.9	4.0	4.7	4.8
Additions to fixed and intangible assets	**4.8**	3.6	4.0	4.3	5.1
Trade receivables	**37.7**	34.7	34.5	55.5	59.3
Inventories	**28.8**	25.9	28.0	31.2	40.4
Net working capital	**29.8**	28.8	43.2	47.3	58.7
Current assets	**130.9**	115.1	116.7	124.6	126.8
Property, plant and equipment, net	**12.4**	13.0	14.4	16.5	23.2
Intangible assets, net	**7.3**	8.0	23.7	28.6	29.7
Interest-bearing debt, net	**-55.1**	-44.4	-29.7	-21.1	7.2
Current liabilities	**44.9**	40.2	41.8	53.4	71.3
Non-current liabilities	**6.1**	8.4	7.7	9.9	11.9
Shareholders' equity	**104.1**	92.0	106.9	107.9	98.9
Total liabilities and shareholders' equity	**155.1**	140.6	156.4	171.1	182.2
Number of employees (average)	**1 002**	975	1 040	1 204	1 192

*Not comparable with previous periods due to change to IFRS from US GAAP
**Not comparable with previous periods due to discontinuance of the Computing Solutions Business Unit
***Net income + depreciation + amortization

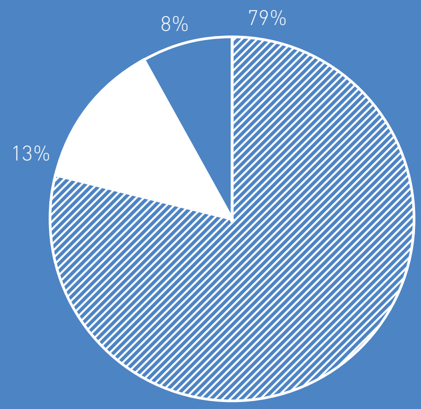
At a Glance

(in CHF million)	2010/11	2009/10	%
Bookings	**185.6**	152.7	+21.5
Operating revenue	**181.9**	149.6	+21.6
EBITDA	**35.7**	16.6	+115.1
EBIT	**31.8**	12.7	+150.4
Net income	**22.7**	7.7	+194.8
Cash flow	**26.6**	11.7	+122.2
Shareholders' equity	**104.1**	92.0	+13.2
ROE	**21.8%**	8.4%	
ROCE	**64.8%**	26.7%	

Revenue distribution by geographical region



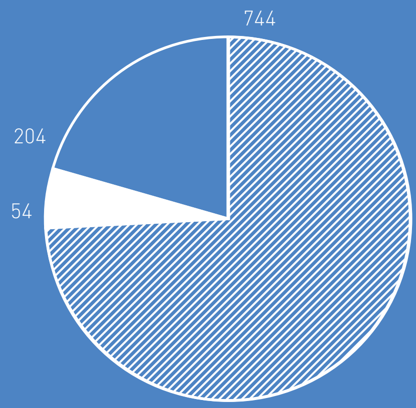
2010/11



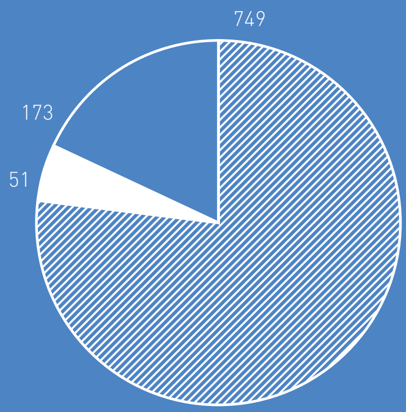
2009/10

EMEA
NORTH AMERICA
ASIA

Distribution of employees by geographical region



2010/11

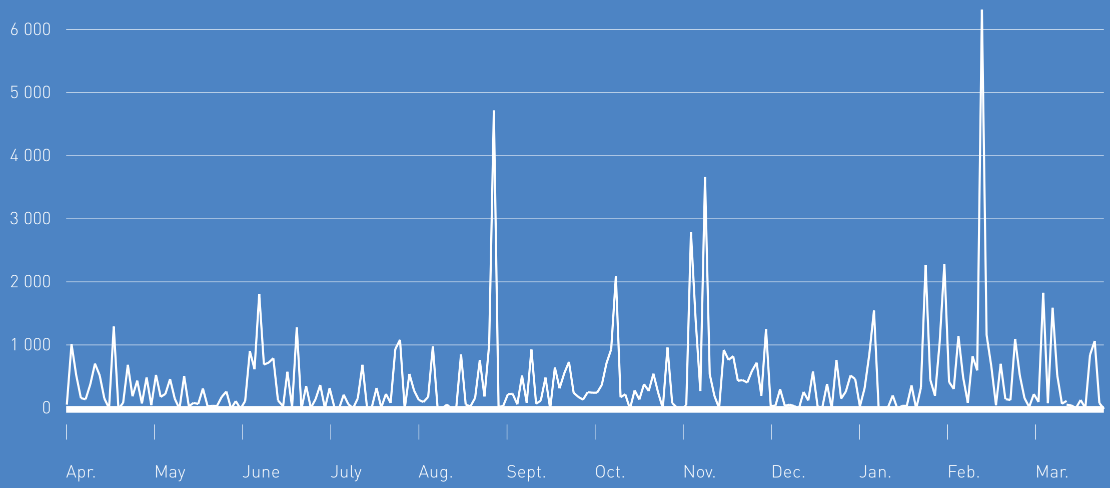


2009/10

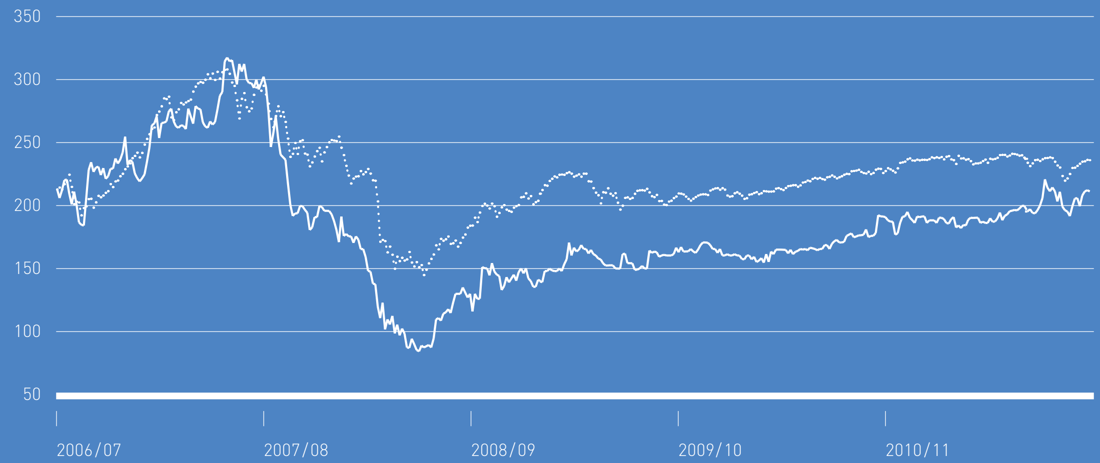
Information for Investors

Share price
1.4.2010-
31.3.2011
(CHF)

Share volume
1.4.2010-
31.3.2011
(Number)



Share price
1.4.2006-
31.3.2011
(CHF)



CARLO GAVAZZI BEARER SHARE
SPI EXTRA™ (REBASED)

Information for Investors

		2010/11	2009/10**	2008/09	2007/08	2006/07
Registered shares						
Nominal value CHF 3						
Shares issued	Number	**1 600 000**	1 600 000	1 600 000	1 600 000	1 600 000
Share of capital	%	**45.0**	45.0	45.0	45.0	45.0
Share of voting rights	%	**80.4**	80.4	80.4	80.4	80.4
Share price	The registered shares are not traded on the stock exchange.					
Bearer shares						
Nominal value CHF 15						
Shares issued	Number	**390 710**	390 710	390 710	390 710	390 710
Share of capital	%	**55.0**	55.0	55.0	55.0	55.0
Share of voting rights	%	**19.6**	19.6	19.6	19.6	19.6
Share price as of March 31	CHF	**211**	150	90	190	275
Share price - high	CHF	**219**	155	200	319	278
Share price - low	CHF	**148**	86	85	180	183
Average daily volume	Number	**444**	305	311	624	922
P/E Ratio	Factor	**6.6**	13.8	8.0	8.0	16.9
Basic earnings per share	CHF	**32.0**	10.9	11.3	23.8	16.3
Book value per share	CHF	**147**	129	150	152	139
Stock market capitalization	CHF 1 000	**149 960**	106 606	63 964	135 035	195 445
- in percentage of revenue	%	**82.5**	71.2	36.6	60.5	90.6
- in percentage of equity	%	**144.0**	115.9	59.8	125.1	197.6
Dividend per share (ordinary)***	CHF	**10.0***	5.0	5.0	10.0	7.0
- dividend yield	%	**4.7***	3.3	5.6	5.3	2.5
- total pay-out	CHF 1 000	**7 107***	3 554	3 554	7 107	4 975
- pay-out ratio	%	**31.3***	44.2	44.6	42.3	43.2
Dividend per share (jubilee)	CHF	**15.0***	-	-	-	-
- dividend yield	%	**7.1***	-	-	-	-
- total pay-out	CHF 1 000	**10 661***	-	-	-	-
- pay-out ratio	%	**46.9***	-	-	-	-

*Proposal of the board of directors
**Certain numbers not comparable with previous periods due to change to IFRS from US GAAP
***of this amount for 2010/11, CHF 2.00 will be paid from the reserve for capital contribution

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

Financial calendar

Shareholders' meeting 2010/11:	July 28, 2011, at the Parkhotel, Zug
Interim report 2011/12:	November 22, 2011
Press and financial analysts' meeting 2011/12:	June 28, 2012, at the Widder Hotel, Zurich
Shareholders' meeting 2011/12:	July 26, 2012

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CARLO GAVAZZI
1931–2011

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

Corporate

Letter to the Shareholders

Dear Shareholders,

In 2010/11, while approaching the 80th anniversary year of its foundation, Carlo Gavazzi achieved a remarkable and unprecedented result. We are glad to report that operating revenue, EBIT and net income grew by double or triple digit rates as sales increased in all market segments and regions worldwide. Revenues grew in line with the sharp increase in bookings. Our Company's already very sound financial position was significantly and additionally strengthened.

According to its tradition Carlo Gavazzi focuses on designing, manufacturing and marketing state-of-the-art components for the building and industrial automation sectors. The Company offers a broad range of more than 15 000 products to supply its customers worldwide with complete product packages that are tailored to specific applications.

Based on this sharpened focus, a broader presence in fast-growing economies and the improved economic environment, the Company's operating revenues increased to CHF 181.9 million (versus CHF 149.6 million in the previous year, +21.6%). The growth was particularly marked in industrial automation and in the field of renewable energy.

Thanks to strict cost management, EBIT grew significantly faster than revenues, reaching 31.8 million (versus CHF 12.7 million in 2009/10, +150 %). Net income grew by 195% from CHF 7.7 million to CHF 22.7 million.

Today Carlo Gavazzi enjoys a very strong balance sheet with an equity ratio of 67.1%.

This result, reported in Swiss Francs, was achieved despite very substantial currency fluctuations as the weakening of both the Euro and the US Dollar impacted the consolidated figures.

Sales in Europe grew by roughly 30% in local currencies. This strong increase was achieved by a solid development in industrial automation and an extraordinary growth in renewable energy, particularly in countries like Germany or Italy where renewable energy is primarily subsidized. Sales in building automation increased around 11% in comparison to last year.

In North America (Canada, USA, Mexico), revenues increased by 20% (in USD). The increase was driven by intensified marketing and sales activities in the industrial production markets in the US. The newly founded sales company in Mexico has now built up an efficient distribution network and the first full year sales were encouraging.

By far the sharpest growth was achieved in the Asia-Pacific region. The highly dynamic markets in key countries such as China and Taiwan as well as the continued strengthening of our distribution network in this region led to an increase in revenues of more than 40% (in USD). Based on this above average growth rate, Asia-Pacific represents now close to 10% of the Company's total revenues.

Carlo Gavazzi has clearly defined priority segments such as building automation (heating, air conditioning, doors and entrances, lifts and elevators), industrial automation (particularly food and beverage and plastic materials machinery) as well as renewable and conventional energy. Growth in these segments was significantly above average confirming the effectiveness of segment selection and related development initiatives.

The industrial automation segment recorded a 50% growth versus last year thanks to the effective introduction of new products such as solid state relays as well as capacitive and inductive sensors.

Growth of building automation reached 12%. Lower construction and real estate development activities in a number of European countries were compensated by strong sales in smart energy offerings driven by a trend to improve efficiency in existing buildings.

An overwhelming sales increase of around 150% was achieved in the renewable energy market. Subsidies for such applications in a number of European countries like Italy or Germany contributed to the high demand in the 2010/11 reporting period.

Going forward, the recovery of the world economies is expected to continue at a slower pace. The environment regarding subsidies for renewable energy applications continues to be volatile. Therefore a balanced growth in all sectors will be sought after restlessly.

Carlo Gavazzi is committed to developing new products worldwide. As part of this continuous effort the Company focuses on strengthening and enlarging its R&D activities and product management in Asia in order to improve time to market and better fulfill regional requirements.

New platforms of inductive and photoelectric sensors – with improved measurement accuracy and repeatability – will drive further the penetration in the industrial automation markets across all regions.

The introduction of the new modular Universal Web Platform UWP – with integrated management, data logging and web communication features – will drive sales in the areas of energy efficiency and building automation.

The sound financial structure of Carlo Gavazzi has become even stronger in 2010/11, with a net cash position of CHF 55.1 million on March 31, 2011 (CHF 44.4 million on March 31, 2010). We will continue to deploy capital diligently by investing in R&D, in marketing and expanding into new markets, particularly in the Asia-Pacific region. The Company also constantly screens potential acquisitions to complement its current product portfolio or market presence.

The board of directors proposes to the annual shareholders' meeting the distribution of an ordinary dividend of CHF 10.00 per bearer share and CHF 2.00 per registered share, and the payment of a jubilee dividend of CHF 15.00 per bearer share and CHF 3.00 per registered share. 20% of the ordinary dividend will be paid from reserve for capital contribution which is exempt from Swiss withholding tax.

2011 marks the 80th year in our Company's existence. During the course of these eight decades we have achieved a lot and we look forward to the coming years as we develop the Company further.

We would like to thank all our employees for their continued commitment and valuable contribution. We also thank our customers and shareholders for their loyalty and support during this past year and hopefully for the next 80 to come!

Valeria Gavazzi
Chairman

Giovanni Bertola
Vice-Chairman

Review of Operations

Accounting principles
The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time in the financial year 2010/11 following a change in accounting principles from US GAAP. The first-time adoption of IFRS took effect as of April 1, 2009. Income statement and balance sheet comparative information for the year 2009/10 have been adjusted to reflect the new accounting policies. There was no material change in the net profit for 2009/10 due to the change from US GAAP to IFRS, however, shareholders' equity was reduced by CHF 15.6 million due to the restatement of goodwill. The half-year financial statements for 2010/11 were also prepared for the first time in accordance with IFRS.

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 10.9% 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 increased by CHF 32.9 million or 21.5% (36.4% adjusted for currency effect) from CHF 152.7 million to CHF 185.6 million. Bookings exceeded revenue by CHF 3.7 million for a book-to-bill ratio of 1.02. Group order backlog at year-end amounted to 16.0% of operating revenue, corresponding to revenue for two months.

Operating revenue and gross profit margin
Consolidated revenue increased by CHF 32.3 million or 21.6% (36.4% adjusted for currency effect) from CHF 149.6 million to CHF 181.9 million. The gross profit margin declined only slightly by 0.2 percentage points from 54.4% to 54.2%.

Operating expenses
Operating expenses as a percentage of operating revenue declined to 36.4% compared with 44.1% in the previous year. Operating expenses, consisting of selling, general, administrative and R&D expenses, increased by CHF 0.1 million or 0.2% from CHF 66.0 million to CHF 66.1 million. Investments in sales, marketing and R&D personnel contributed to the sales increase. Other operating income (expense), net, of CHF (0.6 million) included personnel indemnity costs of CHF (0.3 million) and various claim costs of CHF (0.3 million), whereas the previous year's total of CHF (2.6 million), net, included personnel indemnity costs of CHF (1.0 million) and various claim costs of CHF (1.0 million).

EBIT
EBIT increased by CHF 19.1 million or 150.4% from CHF 12.7 million to CHF 31.8 million. As a percentage of operating revenue, it amounted to 17.5%, compared with 8.5% in the previous year.

Net financial income (expense) amounted to CHF (0.6 million) compared with CHF (0.3 million) in the previous year. This amount included an exchange loss of CHF (0.5 million) compared with a loss of CHF (0.2 million) in the previous year, resulting mainly from currency movements between the Euro and the US Dollar. The nominal tax rate decreased by 10.8% percentage points from 37.9% to 27.1%.

Net income
Net income increased by CHF 15.0 million or 194.8% from CHF 7.7 million to CHF 22.7 million. Earnings per bearer share grew from CHF 10.89 to CHF 31.98. Return on equity increased from 8.4% to 21.8% while return on capital employed improved from 26.7% to 64.8%.

Balance sheet and cash flow

Trade receivables increased by CHF 3.0 million from CHF 34.7 million to CHF 37.7 million, corresponding to a collection period of 81 days compared with 80 days in the previous year. Inventories increased by CHF 2.9 million from CHF 25.9 million to CHF 28.8 million, corresponding to a turnover rate of 2.5. Net working capital increased by CHF 1.0 million from CHF 28.8 million to CHF 29.8 million. The net cash position during the year increased by CHF 10.7 million to reach CHF 55.1 million compared with CHF 44.4 million in the previous year.

Shareholders' equity increased from CHF 92.0 million to CHF 104.1 million or 67.1% of total assets, after net income of CHF 22.7 million, translation losses of CHF 7.4 million, dividend payments of CHF 3.6 million and actuarial gains on employee benefit obligations of CHF 0.4 million.

Cash flow increased by CHF 14.9 million from CHF 11.7 million to CHF 26.6 million. Capital expenditure amounted to CHF 4.8 million compared with CHF 3.6 million in the previous year. Free cash flow increased by CHF 1.8 million from CHF 21.3 million to CHF 23.1 million.

Group Profile

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

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

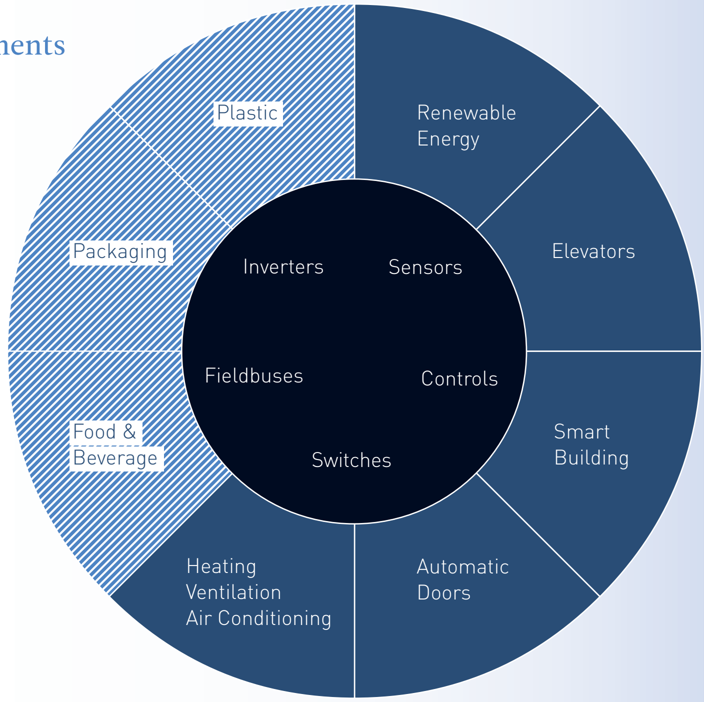
Our core activities
Automation Components designs and manufactures electronic control components for the global building and industrial automation markets in its ISO 9001 certified factories in Italy, Lithuania, Malta and China. The products (sensors, monitoring relays, timers, energy management systems, solid-state-relays, electronic motor controllers, safety devices, fieldbus systems and inverters) provide automation solutions for the industrial and building automation markets. Typical customers are original equipment manufacturers of packaging machines, plastic-injection moulding machines, food and beverage production, conveying and material handling equipment, door and entrance control systems, lifts and escalators as well as heating, ventilation and air conditioning devices. System integrators and distributors are other effective channels to the market. The products are marketed across Europe, North America and Asia-Pacific through a network of 21 own sales companies and through more than 40 independent national distributors. In addition, Automation Components designs and manufactures signalling equipment and safety relays for the railways market.

Corporate

Our Strategy

Solution-packages for the vertical market segments

Priority Market Segments



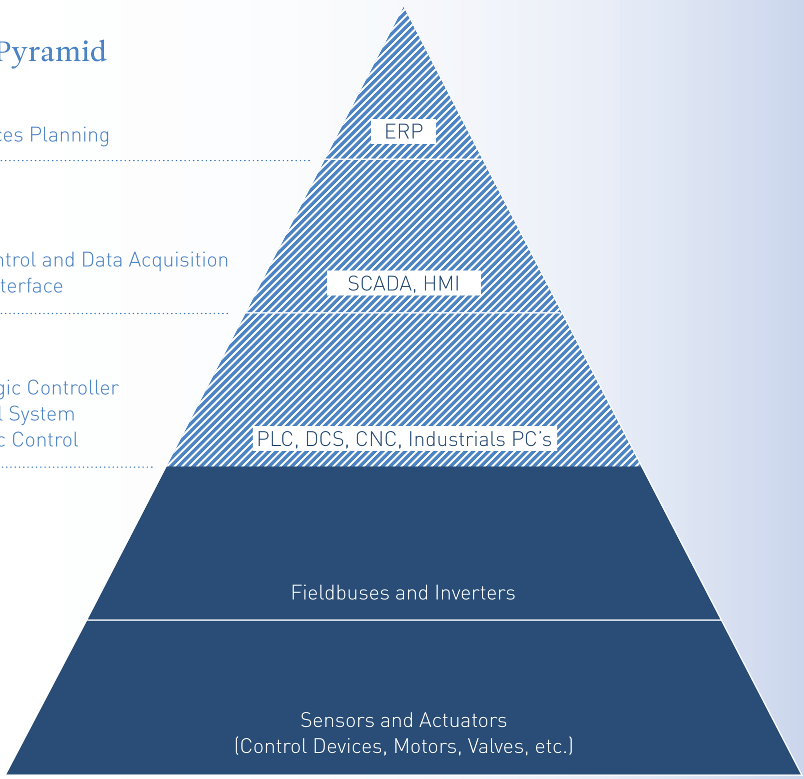
FACTORY
BUILDING
PRODUCT LINES

The Automation Pyramid

ERP: Enterprise Resources Planning

SCADA: Supervisory, Control and Data Acquisition
HMI: Human-Machine Interface

PLC : Programmable Logic Controller
DCS : Distributed Control System
CNC: Computer Numeric Control



Management Level

Process Management

System Level

Data Highway

Field Level

CORE BUSINESS

Global Presence

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

1 — North America

1 Logistic center
3 Sales companies
4 Area managers

2 — EMEA

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

3 — Asia-Pacific

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

Corporate Governance

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 (DCG) as resolved by the Regulatory Board of the SIX Swiss Exchange on October 29, 2008, applicable as of July 1, 2009. To the extent not applicable or not material, information required by the directive is not mentioned. The representations also take into account the Commentary on the Corporate Governance Directive, last updated on September 20, 2007, as well as the SIX Exchange Regulation Communiqué No. 8/2010 of August 17, 2010 and the Regulatory Board Communiqué No. 6/2010 of November 24, 2010. The information is set out in the order required by the DCG, with subsections being summarized to the extent possible. As from the current reporting period, Carlo Gavazzi Group's financial statements comply with IFRS reporting standards (US-GAAP in the previous years), and in certain sections readers are referred to the financial statements and notes in this annual report.

Governance-related changes in the financial year 2010/11

At the shareholders' meeting of July 27, 2010, the shareholders adopted:

- The changes of the articles of incorporation as proposed by the board, including the annual election of the chairman and the cancellation of the conditional share capital;
- The appointment of a bearer shareholders' representative to the board of directors.

1. Group structure and shareholders

The operational group structure is as follows:

Carlo Gavazzi Holding AG
Board of Directors, Steinhausen CH

Automation Components

R&D, Sourcing Companies
and National Sales Companies

There are no listed companies apart from Carlo Gavazzi Holding AG, Security No. 1100359, ISIN No. CH001 1003594. For details regarding non-listed companies, please refer to the Notes to the Consolidated Financial Statements of Carlo Gavazzi Holding AG, note 28 "Subsidiaries".

Major shareholders	% of voting rights
Valeria Gavazzi, Zug (directly or indirectly)	73.85%
Uberta Gavazzi, Zug	4.95%

Reports concerning the disclosure of significant shareholdings made to the company and to the Disclosure Office of the SIX Swiss Exchange during the financial year can be viewed via the link to the search facility on the Disclosure Office's publication platform at www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html.

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

The share capital of Carlo Gavazzi Holding AG amounts to CHF 10 660 650, divided into 1 600 000 registered shares with a par value of CHF 3 each and 390 710 bearer shares with a par value of CHF 15 each. For details regarding paid-in, authorized, and conditional capital, refer to the Notes to Financial Statements of Carlo Gavazzi Holding AG, note 3, as well as to article 6 of the Articles of Incorporation, governing the exclusion of shareholders' subscription rights. For Statements of Changes in Equity at March 31, 2009, 2010 and 2011, refer to page 34 of this annual report. There were no changes in the share capital during the years ended March 31, 2010 and 2011. The Company has not issued any profit-sharing certificates. There are no restrictions on transferability or registrations. There are no convertible bonds.

3. Board of directors

The board of directors comprises five members.

Board of Directors

CHAIRMAN
VALERIA GAVAZZI
Italian national, Zug
First elected 2009,
elected until 2011

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

VICE-CHAIRMAN
GIOVANNI BERTOLA
Swiss national, Milan
First elected 2009,
elected until 2011

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

DIRECTOR
FEDERICO FOGLIA
Swiss national, Lugano
First elected 2004,
elected until 2011

- 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
- Member of the board of Centro Stampa Ticino SA, Muzzano, Switzerland since 2010

DIRECTOR
DANIEL HIRSCHI
Swiss national, Biel
First elected 2010,
elected until 2011

- Graduated as an engineer in Biel
- Attended AMP/SMP Advanced Management Program at Harvard Business School
- Developed his professional career during 23 years in Saia Burgess, a Swiss industrial company in the electro mechanical and electronics field.
- CEO of Saia Burgess from 2001 until 2006
- Member of the Board of Komax Holding AG since 2005
- Member of the Board of Benninger AG since 2006
- Chairman of Schaffner Holding AG since 2010
- Bearer shareholders' representative of Carlo Gavazzi Holding AG since July 2010

DIRECTOR
STEFANO PREMOLI TROVATI
Italian national, Milan
First elected 2008,
elected until 2011

- 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
- Managing Director Barguzin Participation SA, Luxembourg, since 2009
- Partner of the tax and law firm TFP & Partners since 2009

SECRETARY TO THE BOARD
RAOUL BUSSMANN
Swiss national, Zug

- University of Zurich, Doctorate in jurisprudence
- Legal Counsel and member of the corporate legal staff of Sulzer Brothers Limited, Winterthur, Switzerland, from 1981 until 1986
- General Counsel and head of the corporate legal staff of Landis & Gyr AG, Zug, Switzerland, from 1986 until 1991
- Attorney at Law and Notary in Zug since 1991 and partner of the law firm Stadlin Advokatur Notariat in Zug, Switzerland, since 1998
- Secretary to the board of directors of Carlo Gavazzi Holding AG since July 2009

3. Board of Directors

Internal organization

The board of directors comprises at least three members. They are elected by the annual shareholders' meeting for a term of one year. Re-election is permitted. The statutory age limit is 70 years. The chairman is elected by the annual general meeting. The articles of incorporation are available in German on the Group's website at www.carlogavazzi.com/en/investors/corporate-governance.html.
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 24 to Consolidated Financial Statements of Carlo Gavazzi Holding AG and note 4 to Financial Statements of Carlo Gavazzi Holding AG.

Areas of responsibility – Board of directors

The board of directors establishes the strategic, accounting, organizational and financing policies to be followed by the Group. It supervises and advises the Group's management. It regularly reviews the financial results and approves budgets as well as consolidated financial statements. The board of directors appoints the Company's executive officers. On a regular basis, the CFO reports the financial results and forecasts to the board, whereas the CEO of Automation Components reports to the board regarding the industrial and commercial business activity.
The board of directors has a quorum when the majority of its members are present. Its decisions are taken by a simple majority of the attending members. In case of a tied vote, the chairman has the casting vote.
The board of directors holds a minimum of four meetings per year including a full-day strategy meeting and a budget meeting in November and March, respectively. The meetings of the board of directors usually last for a whole day. The CEO of Automation Components attends these meetings as required. The 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 four full-day meetings, one telephone conference and two ad hoc meetings.
The board of directors has established an audit committee and a compensation committee to carry out certain duties as set out below.

Audit committee (AC)

The prime function of the audit committee is to assist the board in fulfilling its supervisory responsibilities. It evaluates the independence and effectiveness of external auditors, approves auditing services to be performed by the external auditors and their related fees, evaluates business risks, assesses the quality of financial accounting and reporting, evaluates scope and overall audit plans, reviews audit results and monitors compliance with specific laws and regulations governing the financial statements. The audit committee may ask any questions at all times when deemed necessary through the chief financial officer and may have direct contact with the Company's auditor and other professional organizations. The audit committee is acting in an advisory capacity and its proposals are subject to the approval of the entire board of directors. During the financial year 2010/11, the audit committee consisted of Stefano Premoli Trovati (chairman), Giovanni Bertola and Daniel Hirschi. The committee meets as often as business requires. In the reporting period, the committee met twice and the auditors participated in all meetings.

Compensation committee (CC)

The prime function of the compensation committee is to assist the board in preparing and proposing to the board compensation guidelines in line with the overall strategy. It prepares and proposes to the board the compensation levels for the board and its committees. In addition, it prepares and proposes to the board the terms of employment of the chairman, the vice-chairman and of the executive management. It also prepares and proposes to the board a compensation policy for Automation Components that fairly rewards performance and effectively attracts and retains the human resources necessary to successfully lead and manage the unit. The committee prepares, monitors and proposes to the board bonus plans including any modifications to such plans for executives reporting to the board or to the chairman, including Automation Components' first-line managers. Upon request of the board, it prepares and proposes to the board long-term incentive plans. Upon these proposals, the board ultimately decides on all related remuneration issues.
In the financial year 2010/11, the compensation committee consisted of Giovanni Bertola (chairman), Federico Foglia and Stefano Premoli Trovati. The committee meets as often as business requires. In the reporting period, the committee met once.

Board committee members

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

✱ Chairman ▼ Member

Reporting

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

Frequency	Content
Monthly	Key P&L information on - Automation Components sub-consolidated - Group consolidated with previous year and budget comparisons
Quarterly	P&L, balance sheets, investments and personnel - Automation Components sub-consolidated - Group consolidated with previous year, budget comparisons and year-end estimate
Semi-annually	Interim reports meeting the requirements of the SIX Swiss Exchange
Annually	All information necessary to establish the annual report governed by IFRS and the rules applicable to companies quoted on the SIX Swiss Exchange

4. Executive Management

Areas of responsibility – CEO of Automation Components

In his function he reports to the full board of directors via the vice-chairman. As operationally responsible for Automation Components, he ensures the integration and coordination of the subsidiaries' activities towards the overall achievement of group goals. Within the limits of the law and with the exception of those competencies that are reserved to the board or delegated to the chairman or vice-chairman, the board delegates to the CEO the operational management of the industrial and commercial activities of Automation Components and the conduct of the day-to-day business of the various companies belonging to it. His main responsibilities are:

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

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

Areas of responsibility – Chief financial officer (CFO)

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

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

Areas of responsibility – External 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 redefining the Group's positioning towards all stakeholders, preparation of the Group's press releases, participation in press conferences, shareholders' meetings and investor meetings, coordination of all main events such as press conferences and annual shareholders' meetings, organization of any other events such as interviews and meetings with the media and the financial community, assistance to the chairman and other members of the management in the formulation of public statements.

The executive management of the Group comprises the CEO of Automation Components and the chief financial officer. The former function of head of corporate communications was replaced by a person responsible for external corporate communications who is not a member of the executive management.

CEO AUTOMATION COMPONENTS
VITTORIO ROSSI
Italian national

- Graduated in electrical engineering, Politecnico of Milan
- Held various management positions with the Siemens Group in Germany, Italy and USA from 1985 until 2002
- CEO of Siemens SpA, Milan, from 2002 until 2005
- CEO of Gewiss SpA, Bergamo, from 2005 until 2007
- CEO of Automation Components since June 2009

CHIEF FINANCIAL OFFICER (CFO)
ANTHONY M. GOLDSTEIN
British and Swiss national

- Chartered Accountant FCA
- Audit and training manager at Deloitte, Haskins & Sells, Zurich, (now Deloitte) from 1975 until 1982
- Joined Group in 1982
- Head of Group Reporting
- Group Controller
- Secretary to the Board from 1983 until 2009
- Chief Financial Officer since 2007

HEAD OF CORPORATE COMMUNICATIONS
(until December 31, 2010)
FELIX STÖCKLIN
Swiss national

- Head of Corporate Communications from 2003 to December 31, 2010

EXTERNAL CORPORATE COMMUNICATIONS
(as from January 1, 2011)
ROLF SCHLÄPFER
Swiss national

- Hirzel.Neef.Schmid.Konsulenten AG, Zurich
- External corporate communications since January 1, 2011

Rolf Schläpfer is not a member of the executive management and is not an employee of the Group.

Management contracts
There are no management contracts in existence pertaining to management tasks that have been delegated to third parties except a consultancy agreement with Hirzel.Neef.Schmid.Konsulenten AG for the Group's external corporate communications.

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

Compensation system – board of directors
For their service in the board, the board members receive a fixed annual fee and a fixed daily fee, including expenses, for attending board meetings and for their duties in the respective committees. The compensation of the members of the board of directors is not bound to specific targets of the Company. In determining the annual fee, the CC proposes to the board a compensation level taking into account publicly available information on remuneration at internationally active Swiss peer companies of similar size and industry sector listed on the SIX Swiss Exchange. Based on such information, the board ultimately decides on the fees on an annual basis. The board members about whose compensation a decision is being taken are excluded from attending the relevant part of the board meeting and have no right to a say in decisions relating to their own compensation. Detailed information on the compensation paid within the Carlo Gavazzi Group in the year under review and the previous year can be viewed in the Notes to the Consolidated Financial Statements of Carlo Gavazzi Holding AG, note 25.

Compensation system – Executive management
The compensation of the members of the executive management consists of a fixed portion and a variable cash component related to individual and corporate performance.

The fixed base salary takes into account the amount of responsibility assumed by the respective member of the executive management, individual qualifications and market levels of remuneration relevant for the respective country and position. The CC proposes and the board decides on the salary levels.
For the CEO of Automation Components, the variable portion of the compensation relates to individual, measurable targets set out by the board (EBITDA, Operating Revenues, Free Cash Flow and Operating Expenses Reduction) and is evaluated based on target attainment at the end of the financial year. The variable compensation ranges between 27% and 41% of the base salary. Attainment of the individual targets contributes to the entire variable compensation payable in the following proportions: EBITDA: 50%, Sales: 25%, Free Cash Flow: 15% and Operating Expenses Reduction: 10%. For the CFO, the variable portion of the compensation relates to individual performance and is determined by the board at its qualitative discretion. The variable portion of the compensation is not expressed as a percentage of the base salary. Detailed information on the compensation paid to members of the executive management in the year under review and the previous year can be viewed in the Notes to the Consolidated Financial Statements of Carlo Gavazzi Holding AG, note 25.

Long-Term Incentive plan – CEO and first-line management of Automation Components
The Long-Term Incentive plan (LTI) was approved by the board of directors on July 23, 2010; it includes the CEO and first-line management of Automation Components who have a significant influence on the Group's long-term development and financial results. The purpose of the LTI is to strengthen the long-term success of the Group and to foster commitment and teamwork in that the entitled employees are granted cash awards, dependent on various criteria linked to the long-term development of the Group as a whole.

The LTI is based on certain fundamental Automation Components parameters weighted in relation to their deemed importance to the Group's development. These parameters and their respective weight are the following: EBITDA 70%, Operating Revenues 20% and Cash Flow 10%. Out of the targets fixed for each of these three parameters, at least two have to be met at the end of each financial year for LTI entitlement. The LTI has a duration of four financial years commencing 2010/11. LTI compensation will be calculated depending on reaching the targets for each financial year. For each LTI participant individually, an overall base bonus covering all four financial years is contractually defined, to be split among the four financial years in the following proportions:

Financial year 2010/11	10%
Financial year 2011/12	25%
Financial year 2012/13	30%
Financial year 2013/14	35%

The actual LTI bonus payable in the respective financial year to the individual LTI participants varies between 0% and 130% of the annual base bonus, based on target-reaching.

Targets for the first two financial years were fixed at the beginning, whereas targets for the financial years 2012/13 and 2013/14 will be determined after April 1, 2012.

LTI compensation will be paid in two instalments following the end of the financial years 2011/12 and 2013/14, respectively.

6. Shareholders' participation rights

There are no restrictions on the use of voting rights by any group of shareholders. Statutory rules for participating at the general meeting of shareholders do not differ from the applicable legal provisions.
Resolutions of the general meeting of shareholders are carried by the majorities set out by the applicable legal provisions.
Convocation of the general meeting of shareholders and rules for adding items to the agenda of the general meeting of shareholders, especially rules on deadlines, are in accordance with the applicable legal provisions.
All shareholders entered on the share register will be admitted to the general meeting of shareholders and are entitled to vote. For administrative reasons, no new entries will be made during the ten days preceding a general meeting. Shareholders who dispose of their shares before a general meeting are not entitled to vote.

7. Changes of control and defense measures

There are no statutory rules in existence relating to opting out or opting up in connection with the duty to make an offer. Furthermore, there are no agreements in existence relating to changes in control.

8. Auditors

PricewaterhouseCoopers AG, Zug, have been group auditors and statutory auditors since 1979. The auditors are elected by the general meeting of shareholders for a period of one year. The lead auditor, Mr Bruno Häfliger assumed his mandate in July 2010. A new lead auditor is appointed every seven years. The next change will be in 2017/18.
The audit fees charged by PricewaterhouseCoopers in 2010/11 amounted to CHF 556 261, for tax consulting CHF 75 320, for other services relating mainly to coaching and supporting the Company in the IFRS transition process CHF 74 254.
Fees charged in 2010/11 by other audit companies for auditing certain subsidiaries amounted to CHF 77 059.
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. When the annual results are released, Carlo Gavazzi organizes a physical conference for the media and the financial community to discuss details related to its performance and its business. In addition to the annual report and the interim report, the Group provides the media with information on relevant changes and developments.

Such data can also be obtained from the Group's website at www.carlogavazzi.com/Media. The Company's official means of communication is the Swiss Official Gazette of Commerce.
As a company quoted on the SIX Swiss Exchange and in line with article 53 et seq. of the Listing Rules dated November 12, 2010 (ad hoc publicity), the Group publishes all information relevant to its share price. In compliance with the Directive on Ad hoc Publicity dated October 29, 2008, the 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. All press releases can be viewed under www.carlogavazzi.com/Media.
The financial calendar for the financial year 2011/12 is available inside the back cover of this annual report and can also be viewed on the Company's website under www.carlogavazzi.com/en/investors/financial-calendar.html.
Contact for investor relations:
Rolf Schläpfer, rolf.schlaepfer@konsulenten.ch

Consolidated Financial Statements

for the years ended March 31, 2011 and 2010

Statements of Comprehensive Income

for the years ended March 31

(in CHF 1 000)	Notes	2011	2010
Continuing operations			
Net sales		181 872	149 630
Cost of goods sold		(83 374)	(68 304)
Gross profit		**98 498**	**81 326**
Research & development expense		(5 744)	(6 371)
Selling, general and administrative expense		(60 372)	(59 628)
Other operating income (expense), net	8	(632)	(2 591)
Operating profit (EBIT)		**31 750**	**12 736**
Financial income	9	125	100
Financial expense	9	(686)	(372)
Profit before income tax		**31 189**	**12 464**
Income tax expense	21	(8 459)	(4 728)
Net profit for the year		**22 730**	**7 736**
Other comprehensive income			
Actuarial gains (losses) on employee benefit obligations	19	565	(320)
Tax impact on actuarial gains (losses) on employee benefit obligations		(147)	105
Exchange difference on translation of foreign operations		(7 402)	(3 673)
Other comprehensive income for the year, net of tax		**(6 984)**	**(3 888)**
Total comprehensive income for the year		**15 746**	**3 848**
Net profit attributable to owners of Carlo Gavazzi Holding AG		22 730	7 736
Comprehensive income attributable to owners of Carlo Gavazzi Holding AG		15 746	3 848

Earnings per share from net profit of continuing operations for the year attributable to owners of Carlo Gavazzi Holding AG (in CHF per share)			
Basic and diluted earnings per share of continuing operations:			
– registered shares	10	6.40	2.18
– bearer shares	10	31.98	10.89

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

Balance Sheets

as of

(in CHF 1 000)	Notes	March 31 2011	March 31 2010	April 1 2009
Assets				
Current assets				
Cash and cash equivalents		58 023	47 853	37 023
Trade receivables	12	37 714	34 703	34 465
Other receivables	13	6 315	6 652	6 651
Inventories	14	28 822	25 900	28 009
		130 874	**115 108**	**106 148**
Assets classified as held-for-sale	26	-	-	9 435
Total current assets		**130 874**	**115 108**	**115 583**
Non-current assets				
Property, plant and equiment	15	12 412	13 020	14 312
Intangible assets	16	7 311	7 955	8 251
Other receivables	13	378	406	408
Deferred income tax assets	21	4 150	4 126	3 849
Total non-current assets		**24 251**	**25 507**	**26 820**
Total assets		**155 125**	**140 615**	**142 403**
Liabilities and equity				
Current liabilities				
Trade payables		13 023	13 215	10 973
Other payables	17	21 795	21 547	21 606
Borrowings	18	1 841	1 863	5 447
Current income tax liabilities	21	8 227	3 604	3 135
		44 886	**40 229**	**41 161**
Liabilities classified as held-for-sale	26	-	-	797
Total current liabilities		**44 886**	**40 229**	**41 958**
Non-current liabilities				
Other payables	17	164	-	-
Borrowings	18	1 087	1 734	2 145
Employee benefit obligations	19	4 326	5 199	5 248
Other provisions	20	380	479	473
Deferred income tax liabilities	21	134	1 018	1 035
Total non-current liabilities		**6 091**	**8 430**	**8 901**
Total liabilities		**50 977**	**48 659**	**50 859**
Equity				
Share capital	22	10 661	10 661	10 661
Capital reserves		600	600	710
Other reserves		(10 872)	(3 888)	-
Own shares		-	-	(228)
Retained earnings		103 759	84 583	80 401
Total equity attributable to owners of Carlo Gavazzi Holding AG		**104 148**	**91 956**	**91 544**
Total liabilities and equity		**155 125**	**140 615**	**142 403**

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

Statements of Changes in Equity

(in CHF 1 000)	Notes	Attributable to owners of Carlo Gavazzi Holding AG					
		Share capital	Capital reserves	Other reserves	Own shares	Retained earnings	Total equity
Equity at March 31, 2009 according to US GAAP		**10 661**	**710**	**(19 972)**	**(228)**	**115 742**	**106 913**
Adjustments to IFRS	3.2	-	-	19 972	-	(35 341)	(15 369)
Equity at April 1, 2009 after IFRS adjustments		**10 661**	**710**	**-**	**(228)**	**80 401**	**91 544**
Net profit for the year		**-**	**-**	**-**	**-**	**7 736**	**7 736**
Actuarial gains (losses) on employee benefit obligations, net of tax				(215)	-	-	(215)
Exchange difference on translation of foreign operations			-	(3 673)	-	-	(3 673)
Other comprehensive income for the year		**-**	**-**	**(3 888)**	**-**	**-**	**(3 888)**
Dividends		-	-	-	-	(3 554)	(3 554)
Sale of own shares		-	(110)	-	228	-	118
Total transactions with owners		**-**	**(110)**	**-**	**228**	**(3 554)**	**(3 436)**
Equity at March 31, 2010		**10 661**	**600**	**(3 888)**	**-**	**84 583**	**91 956**
Net profit for the year		**-**	**-**	**-**	**-**	**22 730**	**22 730**
Actuarial gains (losses) on employee benefit obligations, net of tax		-	-	418	-	-	418
Exchange difference on translation of foreign operations		-	-	(7 402)	-	-	(7 402)
Other comprehensive income for the year		**-**	**-**	**(6 984)**	**-**	**-**	**(6 984)**
Dividends	11	-	-	-	-	(3 554)	(3 554)
Total transactions with owners		**-**	**-**	**-**	**-**	**(3 554)**	**(3 554)**
Equity at March 31, 2011		**10 661**	**600**	**(10 872)**	**-**	**103 759**	**104 148**

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

Statements of Cash Flows

for the years ended March 31

(in CHF 1000)	Notes	2011	2010
Cash flows from operating activities			
Profit for the year		**22 730**	**7 736**
Income taxes	21	8 459	4 728
Depreciation and amortization		3 914	3 946
Loss (gain) on disposal of property, plant and equipment	8	(67)	(19)
Change in other non-cash items		(548)	(1 227)
Changes in working capital:			
- Change in trade receivables and other receivables		(5 948)	(1 302)
- Change in inventories		(5 133)	1 222
- Change in trade payables and other payables		3 072	3 408
Cash generated from operations		**26 479**	**18 492**
Interest received		93	100
Interest paid		(86)	(153)
Taxes paid		(4 639)	(4 040)
Cash flow from operating activities		**21 847**	**14 399**
Cash flow from investing activities			
Purchases of property, plant and equipment	15	(4 518)	(3 565)
Purchases of intangible assets	16	(273)	-
Proceeds from disposal of property, plant and equipment		262	59
Proceeds from disposal of net assets of discontinued operations	26	-	8 638
Cash flow from investing activities		**(4 529)**	**5 132**
Cash flow from financing activities			
Dividends paid	11	(3 554)	(3 554)
Sale of own shares		-	118
Proceeds from borrowings		487	438
Repayment of borrowings		(955)	(4 158)
Cash flow from financing activities		**(4 022)**	**(7 156)**
Change in cash and cash equivalents		**13 296**	**12 375**
Cash and cash equivalents at the beginning of the year		47 853	37 023
Effects of exchange rate changes on cash and cash equivalents		(3 126)	(1 545)
Cash and cash equivalents at the end of the year		**58 023**	**47 853**

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

Notes to the Consolidated Financial Statements

1. General information

Carlo Gavazzi Holding AG with its subsidiaries (together Carlo Gavazzi Group, hereinafter "the Group") is an internationally active electronics company. Its core business Automation Components consists of design and manufacture of electronic control components for the global industrial automation markets. Carlo Gavazzi Holding AG is a publicly traded company listed on the Swiss stock exchange (SIX Swiss Exchange) in Zurich. The address of its registered office is Sumpfstrasse 32, CH-6312 Steinhausen, Switzerland.

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

These audited consolidated financial statements were approved for publication by the board of directors on June 14, 2011, and will be recommended for approval at the annual general meeting to be held on July 28, 2011.

2. Significant accounting and valuation policies

The significant accounting and valuation policies employed in the preparation of these consolidated financial statements are described below. The described policies have been applied consistently in all of the reporting periods presented except as described below:

2.1 Basis of preparation

The consolidated financial statements of the Carlo Gavazzi Group have been prepared in accordance with IFRS (International Financial Reporting Standards) for the first time in financial year 2010/11. All standards issued by the IASB (International Accounting Standards Board) being in force on the balance sheet date as well as all valid interpretations of the IFRS IC (International Financial Reporting Standards Interpretation Committee) have been taken into account and, in particular, IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied. The financial effects on the financial position, results of operations and cash flows of the Group resulting from the change in accounting policies from US GAAP to IFRS are shown in note 3.

Until March 31, 2010, the consolidated financial statements of the Group were prepared in accordance with US GAAP. In certain areas these accounting policies differ from those of IFRS. The first-time adoption of IFRS took effect as of April 1, 2009. The accounting policies used to prepare the consolidated financial statements as of March 31, 2011 have been completely revised in accordance with IFRS. As part of the transition to IFRS as of April 1, 2009, the income statement comparative information for the financial year 2009/10, and the balance sheet comparative information as of April 1, 2009 and March 31, 2010 have also been adjusted to reflect the new accounting policies.

The Group's consolidated financial statements have been prepared on the historical cost basis.

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

2.2 Changes to accounting policies

Selected standards and revisions to standards effective for years commencing on or after April 1, 2011, which have not been early adopted by the Group:

- The new IFRS 9 "Financial Instruments" deals with the classification and measurement of financial assets, thereby concluding the first of three project stages. IFRS 9 will fully replace IAS 39 "Financial Instruments: Recognition and Measurement" over the next two years. IFRS 9 simplifies the financial asset categories, reducing them in number from four to two. This standard must be applied for reporting periods beginning after January 1, 2013 at the latest, with earlier application permitted.
- The amendment to IFRS 9 "Financial instruments" includes guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognizing financial instruments has been relocated from IAS 39 without change, except for financial liabilities that are designated at fair value through profit or loss. This amendment must be applied for reporting periods beginning after January 1, 2013 at the latest, with earlier application permitted.
- The amendment to IFRS 7 "Disclosures – Transfers of financial assets" requires additional disclosures in respect of risk exposures arising from transferred financial assets (e.g. factoring), any associated liabilities and it includes additional disclosure requirements in respect to those transfers. The amendments are effective for annual periods beginning on or after July 1, 2011. Earlier application is permitted.

The Group is currently assessing the effects of these new standards, interpretations and amendments on its future financial reporting.

2.3 Principles of consolidation

Group companies

Group companies are all those companies in which Carlo Gavazzi Holding AG either directly or indirectly holds 50% or more of the voting rights. New group companies are fully consolidated from the time at which control of the company is transferred to Carlo Gavazzi Group. They are deconsolidated at the point in time at which control ceases.

Assets and liabilities as well as the income and expenses of these companies are fully (100%) consolidated. All material internal group transactions, balances and unrealized profits and losses resulting from internal group transactions are eliminated.

Minority interest

The share of net assets and net profit or loss attributable to minority shareholders is presented separately in the consolidated balance sheet and income statement. For the years presented, there was no minority interest.

2.4 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Swiss Francs (CHF) as the presentation currency. The group companies compile their financial statements in their functional currency, which is the currency of the primary economic environment in which they operate.

Foreign currency translation

All assets and liabilities in the balance sheets of the group companies that are denominated in respective functional currencies are translated into Swiss Francs at the closing rate. Items in the income statement and cash flow statement are translated at the average exchange rate for the year. The resulting translation differences are recognized in other comprehensive income. When a group company is sold, the cumulative translation differences recognized in shareholders' equity are recycled to the income statement.

The following exchange rates into Swiss Francs were used during the periods under review:

Year end rates applied for the consolidated balance sheet

Currency	Unit	31.3.2011	31.3.2010	1.4.2009
CAD	1	0.94	1.04	0.90
CNY	100	13.97	15.61	16.67
DKK	100	17.41	19.24	20.33
EUR	1	1.30	1.43	1.51
GBP	1	1.47	1.60	1.63
HKD	100	11.77	13.71	14.70
LTL	100	37.60	41.48	44.00
MYR	100	30.26	32.60	31.19
NOK	100	16.55	17.81	16.98
SEK	100	14.51	14.67	13.86
SGD	1	0.73	0.76	0.75
USD	1	0.92	1.05	1.14

Average rates applied for the consolidated income statement

Currency	Unit	1.4.2010–31.3.2011	1.4.2009–31.3.2010
CAD	1	1.00	0.98
CNY	100	15.14	15.60
DKK	100	17.98	20.18
EUR	1	1.34	1.50
GBP	1	1.58	1.70
HKD	100	13.05	13.73
LTL	100	38.88	43.61
MYR	100	32.37	30.82
NOK	100	16.88	17.65
SEK	100	14.44	14.50
SGD	1	0.76	0.75
USD	1	1.01	1.06

Foreign currency transactions and balances in the individual financial statements

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

All exchange differences are recognized in the income statement, except for intercompany transactions having the nature of a permanent financial investment which are directly recorded in equity.

2.5 Cash and cash equivalents

The Group considers all highly liquid investments purchased with maturity of three months or less to be cash.

Cash and cash equivalents are reported at their nominal value.

2.6 Trade receivables

Trade receivables are 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 analyzing known uncollectible accounts, aged receivables, economic conditions in the customers' country or industry, historical losses and the customers' creditworthiness.

Concentrations of credit risk with respect to trade receivables are limited due to the large number of geographically diverse customers which make up the Group's customer base, thus spreading credit risk. Some European countries require longer payment terms as a part of doing business and this may subject the Group to a higher risk of non-collectability. This risk is evaluated when determining the allowance for doubtful accounts. The Group generally does not require collateral from its customers.

Changes to allowances for doubtful accounts as well as effective losses due to bad debts are shown in selling, general and administrative expense.

2.7 Other receivables

This item includes all other receivables that do not arise from deliveries of products (e.g. VAT credits, withholding tax credits, receivables from social insurances, etc.). Included are also advances to suppliers as well as prepaid expenses (e.g. for rent, consulting, insurance premiums, etc.).

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

2.8 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Available-for-sale financial assets

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

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest rate method.

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

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

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

Offsetting financial instruments

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

Impairment of financial assets

a) Assets carried at amortized cost

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

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

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

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

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

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

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

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

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

2.11 Intangible assets

Goodwill

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

Goodwill is allocated, from the acquisition date, to cash-generating units or groups of cash-generating units (not higher than operating segment) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from synergies arising from the business combination.

Research and development

Expenditure incurred on research and development is distinguished between the research phase and the development phase. All research phase expenditure is charged to the income statement as incurred. For development expenditure, it is capitalized as an internally generated intangible asset only if it meets strict criteria relating to technical feasibility, intention to complete, ability to use or sell, generation of future economic benefits, availability of adequate technical, financial and other resources to complete its development and reliable measurement of the costs incurred. Expenditure capitalized is amortized over the planned economic life or in relation to the expected revenue over the economic useful life, up to a maximum of five years from the entry-into-service of the product or asset, using the straight-line method. Intangible assets that do not have a finite economic life and therefore cannot be depreciated on a straight-line basis are subject to an annual test for impairment.

Software

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

2.12 Assets held for sale

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

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

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

2.13 Impairment of non-financial assets

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

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

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

2.14 Trade payables

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

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

2.15 Other payables

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

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

2.16 Borrowings

Borrowings are divided into current and non-current depending on the time to maturity and include in particular bank overdrafts, loans and finance leases. Borrowings are recognized initially at fair value, net of transaction costs incurred. In subsequent periods, loans are stated at amortized cost using the effective interest rate method with any difference between proceeds (net of transaction costs) and the redemption value being recognized in the income statement over the terms of the borrowing.

2.17 Leasing

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

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

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

2.18 Employee benefits

Pension obligations

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

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

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

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

Past-service costs are recognized immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specific period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over such vesting period.

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

Termination indemnity

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

Long-term incentive plan

The Long-Term Incentive plan (LTI) was approved by the board of directors on July 23, 2010; it includes the CEO and first-line management of Automation Components who have a significant influence on the Group's long-term development and financial results. The purpose of the LTI is to strengthen the long-term success of the Group and to foster commitment and teamwork in that the entitled employees are granted cash awards, dependent on various criteria linked to the long-term development of the Group as a whole. The Group recognizes a provision where contractually obliged. The LTI is accounted for under IAS 19.

2.19 Provisions and contingent liabilities

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

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

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

2.20 Equity

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

Share capital is the par value of all outstanding shares.

Capital reserves contain gains and losses realized on the sale of own shares.

Own shares comprise shares in Carlo Gavazzi Holding AG held by Carlo Gavazzi Holding AG itself or indirectly through a subsidiary. Own shares are recognized at purchase cost and are not revalued at the balance sheet date.

Retained earnings are profits, including legal and free reserves, that are not distributed as dividends and which are generally freely available.

Other reserves include currency translation differences, actuarial gains and losses on post-employment benefit obligations as well as their related income tax effect on other comprehensive income.

2.21 Revenue recognition

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

Appropriate provisions are created for expected warranty claims arising from the sale of goods.

Interest income is recognized using the effective interest rate method.

2.22 Borrowing costs

Borrowing costs comprise interest and other costs that are incurred in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

2.23 Income taxes

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

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

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

2.24 Business combinations

All business combinations are accounted for using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred and the equity interests issued, including the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. The identifiable assets acquired or liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date.

The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill and allocated to the cash-generating units or group of cash-generating units depending on the level at which it is monitored by management. If the consideration transferred is lower than the fair value of the acquirer's share of the identifiable net assets acquired (bargain purchase), the difference is recognized directly in the income statement.

3. Impact of transition to IFRS

3.1 Transition to IFRS

Up to March 31, 2010, Carlo Gavazzi Group's consolidated financial statements have been prepared in accordance with US GAAP. As described in note 2.1, upon adoption of IFRS for the first time in financial year 2010/11, Carlo Gavazzi Group's consolidated financial statements have been prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". The financial effects on the equity, comprehensive income and cash flows of the Group resulting from the change in accounting policies from US GAAP to IFRS are shown hereafter.

In addition, certain reclassifications were made to prior periods' financial statement amounts and related note disclosures to conform to the current presentation under IFRS. The main reclassifications related to deferred income tax assets and liabilities, as well as liabilities of disposal group classified as held-for-sale.

3.2 Reconciliation of equity from US GAAP to IFRS

		31.3.2010	1.4.2009
Equity as reported under US GAAP		**107 863**	**106 913**
IFRS adjustments increase (decrease):			
Intangible assets	a)	(15 629)	(15 650)
Property, plant and equipment	c)	103	157
Other non-current provisions	c)	(479)	(473)
Employee benefit obligations	d)	(310)	275
Deferred income tax on assets/liabilities	e)	408	322
Equity as reported under IFRS	**b)**	**91 956**	**91 544**

a) Intangible assets

The Group decided to go back and restate its past business combination effected on February 1, 1988 by applying IFRS 3, Business Combinations (as revised in 2008), and all later business combinations, as well as applying IAS 27, Consolidated and Separate Financial Statements (as revised in 2008) from that same date and not to apply the exemption offered by IFRS 1.

When restating its past business combinations, the main adjustments the Group identified are intangible assets that had been acquired but not previously recognized (subsumed within goodwill) under US GAAP applicable at the time of such business combinations, as well as acquisition costs which were not expensed at the time of such business combinations. Consequently, according to IFRS 1, the newly-recognized intangibles have been adjusted against goodwill, while acquisition costs have been adjusted directly against retained earnings. Newly-recognized intangible assets have been amortized over their useful lives and were fully amortized by the date of transition to IFRS.

Business combinations that occurred before February 1, 1988, were not restated retrospectively in accordance with IFRS 3.

b) Currency translation adjustments
The Group decided to use the exemption available under IFRS 1 that relieves it from complying with the requirements of IAS 21, The Effects of Changes in Foreign Exchange Rates, to separately classify the currency translation differences as other comprehensive income up to the date of transition. Consequently, cumulative translation differences of CHF 19 972 as of April 1, 2009, arising from translation into Swiss Francs of the financial statements of foreign operations whose functional currency is other than Swiss Francs and exchange differences on intercompany transactions having the nature of a permanent financial investment, were reset to zero. Accordingly, the cumulative translation differences were included in retained earnings in the IFRS opening balance sheet. In the case of subsequent disposal of a foreign operation concerned, no amount of currency translation difference relating to the time prior to the transition date will be included in the determination of the gain or loss on disposal of such entity.

c) Property, plant and equipment and other non-current provisions
Under US GAAP, the Group had identified several asset retirement obligations (decommissioning costs) but decided not to account for those in light of materiality of the amounts involved and related impact on the financial statements. As part of its transition to IFRS, and applying IAS 16, Property, Plant and Equipment, and IAS 37, Provisions, Contingent Liabilities and Contingent Assets, the Group has now recorded those costs and related provisions (discounted) on its IFRS opening balance sheet as of April 1, 2009.

d) Liabilities from defined benefit pension plans
Pension obligation
The Group operates different pension plans in various countries, which individually cover only a small number of employees. In light of the transition to IFRS all existing pension plans were reassessed for classification and measurement purposes. As part of this process, the valuation of the defined benefit obligations, performed by independent actuaries, has been harmonized within the group. The remeasurement of the existing defined benefit obligations, applying the measurement principles set forth in IAS 19, Employee Benefits, resulted in an increase to the net pension obligation of the group at the date of transition. In addition, the Group elected the option under IFRS to record actuarial gains and losses directly in other comprehensive income.

Termination indemnity
Under IFRS, a liability for termination indemnity benefits is recorded at the actuarial present value of the benefits for which the employee is currently entitled, based on the employee's expected separation or retirement date. Under US GAAP, the Group measured the liability based on the amount the Group would pay if the employee left the company at the balance sheet date. The difference resulted in a reduction of the liability for termination indemnity benefits at the date of transition. In addition, the Group elected the option under IFRS to record actuarial gains and losses directly in other comprehensive income.

e) Deferred income tax assets and liabilities
Under US GAAP, the tax impact of the elimination of unrealized profits was deferred until the goods would be sold to third parties outside the Group using the seller's tax rate, while under IFRS, applying IAS 12, Income Taxes, the deferred tax on unrealized profits is calculated based on the buyer's tax rate. In addition, the adjustment includes all deferred income taxes on the taxable effects of the transition adjustments as per described above and recognized as appropriate depending on whether they are generating a taxable or deductible temporary difference.

3.3 Reconciliation of comprehensive income from US GAAP to IFRS

(in CHF 1 000)		Year ended 31.3.2010
Comprehensive income as reported under US GAAP		**4 386**
Increase (decrease) in net income for:		
Personnel expense		
– recognized under cost of goods sold	a)	(92)
– recognized under selling, general and administrative expense	a)	(116)
Depreciation recognized under cost of goods sold	b)	(48)
Financial expense	c)	(33)
Deferred income tax	d)	(13)
		(302)
Increase (decrease) in other comprehensive income for:		
Actuarial gains (losses) on retirement benefit obligations	e)	(320)
Deferred income tax	e)	105
Cumulative translation adjustments		(21)
		(236)
Comprehensive income as reported under IFRS		**3 848**

a) Personnel expenses
As described in d) above, as part of the transition to IFRS, existing defined benefit pension plans and severance indemnity benefits were remeasured by applying the valuation principles defined in IAS 19, Employee Benefits. This resulted in higher pension costs which increased personnel costs under IFRS. Such increase in personnel costs has been allocated by function among cost of goods sold, research & development expense and selling, general and administrative expense (functions to which the respective employees contribute).

b) Decommissioning costs
As described in c) above, as part of its transition to IFRS and applying IAS 16 and IAS 37, the Group has now recorded decommissioning costs on its balance sheet. As such, the additional depreciation charge related to the amount capitalized under Property, plant and equipment is recognized in the income statement.

c) Finance costs
As described in the paragraph above, upon recording of decommissioning costs in the IFRS opening balance sheet on a discounted basis, the Group is now recognizing the unwinding of the discount as a finance cost as it occurs.

d) Deferred income taxes
The adjustment includes all deferred income tax impacts of the transition adjustments as described above and recognized as appropriate depending on whether or not they are generating a taxable or deductible temporary difference.

e) Actuarial gains and losses on pension benefit obligations
Under US GAAP, actuarial gains and losses arising from actuarial valuation of pension obligations and exceeding the corridor amount were amortized to the income statement over the average remaining service period of active plan participants. Upon adoption of IFRS and as per IAS 19, Employee Benefits, the Group decided to recognize actuarial gains and losses directly in other comprehensive income.

3.4 Material changes to the cash flow statement between US GAAP and IFRS
The transition from US GAAP to IFRS had no significant impact on the presentation of cash flows generated by the Group.

However, upon adoption of IFRS, interest received, interest paid and taxes paid, previously disclosed in a footnote to the cash flow statement, are now presented separately as part of cash flow from operating activities.

4. Financial risk management

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

Financial Assets (in CHF 1 000)	2011	2010
Loans and receivables		
Cash and cash equivalents	58 023	47 853
Trade receivables	37 714	34 703
Other receivables	6 693	7 058
Total	**102 430**	**89 614**

Financial Liabilities (in CHF 1 000)	2011	2010
Other financial liabilities at amortized cost		
Trade payables	13 023	13 215
Other payables	21 795	21 547
Borrowings	2 928	3 597
Total	**37 746**	**38 359**

No additional disclosures of fair value are presented because carrying value is a reasonable approximation of fair value.

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

Generally, financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance, however, the Group does not use derivative financial instruments to hedge risk exposures.

Risk management and its effectiveness are regularly monitored by the board of directors.

a) Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to EUR (incl. pegged currencies) against USD and GBP. The Group does not actively hedge foreign exchange risks, however, where possible it seeks to reduce these risks by natural hedging (cash inflows and outflows in a specific currency should be in balance as much as possible).

Foreign exchange risks arise when commercial transactions of operations are not denominated in the functional currency of the respective legal entity, but instead in another currency. Foreign exchange risks also arise from translation differences when preparing the consolidated financial statements in Swiss Francs, however, they are excluded for the purpose of the sensitivity analysis for currency risk. As stated above there are currency exposures with respect to USD and GBP in the amount of CHF 4 846 (2010 CHF 5 093) and CHF 1 200 (2010 CHF 1 137), respectively. A change in foreign currency exchange rates of 10%, with all other variables held constant, would have caused the pre-tax result of the Group to be higher/lower by around CHF 605 (2010 CHF 623).

Price risk

The Group is not exposed to either equity securities price risk or commodity price risk.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank overdrafts and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. As a result of the Group's positive net cash position, the interest rate risk is considered to be immaterial. A sensitivity analysis has therefore not been provided.

b) Credit risk

Credit risk is managed on a local basis for accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Local management may also define credit limits for each customer. As there is no independent rating for most customers, local credit control departments assess the credit quality of the customers, taking into account their financial position, past experience and other factors. There is no concentration of credit risk in respect of trade receivables as the Group has a large number of geographically diverse customers.

Other credit risk arises from cash and cash equivalents and deposits with banks. Counterparty risk is minimized by ensuring that all current accounts are maintained with banks whose credit ratings by one of the major independent rating agencies are usually at least "A".

c) Liquidity risk

Liquidity risk is the risk that the Group would not be able to meet its financial obligations on time. The monitoring of liquidity and allocation of resources by the Group allows for maintenance of adequate liquidity levels at all times. In addition, the Group maintains credit lines with a number of financial institutions.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date; the amounts disclosed are the contractual undiscounted cash flows.

The remaining contractual maturities are as follows (in CHF 1 000)

as at March 31, 2011	less than 1 year	between 1–5 years	more than 5 years	Total
Trade payables	13 023	–	–	13 023
Other payables	21 795	–	–	21 795
Bank overdrafts	1 344	–	–	1 344
Bank loans	–	385	–	385
Other loans	449	495	207	1 151
Leasing obligations	48	–	–	48
Total	**36 659**	**880**	**207**	**37 746**

as at March 31, 2010	less than 1 year	between 1–5 years	more than 5 years	Total
Trade payables	13 215	–	–	13 215
Other payables	21 547	–	–	21 547
Bank overdrafts	1 397	–	–	1 397
Bank loans	3	429	–	432
Other loans	359	929	335	1 623
Leasing obligations	104	41	–	145
Total	**36 625**	**1 399**	**335**	**38 359**

4.2 Capital risk management

The Group's primary objective is to maintain a strong equity base in order to maintain investor, creditor and market confidence and to sustain the future development of the business. As of March 31, 2011, equity represented 67.1% of total assets (2010 65.4%).

The Group reviews the capital structure and the equity of the subsidiaries as required to cover the associated risks.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares and issue or reduce debt.

5. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial periods mainly relate to impairment of goodwill, income taxes, employee benefit obligations, allowance for doubtful accounts and warranties.

Impairment of Goodwill

All goodwill resulting from past business combinations is monitored for internal management purposes at the operating segment (ACBU) level, as reflected in these consolidated financial statements and therefore allocated to a group of cash-generating units (see note 2.11). Goodwill has been tested for impairment as at the date of transition, i.e. April 1, 2009, and subsequently at March 31, 2010 and 2011 at this level. No impairment charge arose.

The recoverable amount of the group of cash-generating units is determined based on value in use calculations. These calculations use post-tax cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using an appropriate estimated growth rate of 1.5% at April 1, 2009, and subsequently March 31, 2010 and 2011. The discount rate applied to the cash flow projections is based on the weighted average cost of capital and is correspondingly adjusted to the specific business risks. The post-tax discount rate applied was 9.2% at March 31, 2011, 9.2% at March 31, 2010, and 7.6% at April 1, 2009.

A decrease in projected growth rate after the year 2013/14 to zero would not change the result of the impairment test. Management is of the opinion that possible changes in the other assumptions made, barring any exceptional events, would not lead to any impairment charge.

Income taxes

The Group is subject to taxation in numerous jurisdictions. In this respect the Group and its subsidiary companies are regularly exposed to audits by the various governmental bodies and authorities, where the outcome of findings particularly in the area of transfer pricing depends very often on individual judgements. Considerable judgement is required in determining tax provisions. Liabilities for anticipated tax audit issues are recognized based on estimates of whether additional taxes will be due. These estimates could prove to be too pessimistic, or, in a negative scenario, additional tax liabilities would have to be recorded in the future.

Furthermore, the capitalization of deferred tax assets is based on assumptions about the future profitability of certain group companies. There is an inherent risk that these estimates made by management may turn out to be too optimistic or too pessimistic.

Employee benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The group companies determine the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group companies consider the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligations.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 19.

Allowance for doubtful accounts

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

Warranties

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

6. Segment reporting

The Group is an internationally active electronics company active in designing, manufacturing and marketing electronic control components for the global markets of industrial and building automation. The Group has only one operating and reportable segment, the information for the segment therefore mainly corresponds to the figures in the consolidated financial statements. When the Group implemented IFRS 8, Operating Segments, the following circumstances led to the conclusion that it only has one reportable segment:

- Internal monthly reporting for the only operating segment is carried out in concentrated form for the whole Group.
- Because of the close integration of the group companies, focussing individually on production, logistics, marketing and selling, key decisions are, consequently, made by corporate management at consolidated group level and not on the basis of the financial statements of individual legal entities.
- The holding company only provides corporate services; its operating result is monitored in the internal monthly reporting.

The reconciliation of EBIT to profit before income tax is as follows:

(in CHF 1 000)	2010/11	2009/10
EBIT		
- Automation Components	31 970	12 889
- Corporate	(220)	(153)
Total EBIT	**31 750**	**12 736**
Financial income (expense), net	(561)	(272)
Profit before income tax	**31 189**	**12 464**

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

(in CHF 1 000)	2011	2010
Assets		
– Automation Components	132 803	120 447
– Corporate	22 322	20 168
Total assets	**155 125**	**140 615**
Liabilities		
– Automation Components	46 086	43 046
– Corporate	4 891	5 613
Total liabilities	**50 977**	**48 659**

Geographical information

	Net sale of products by customer location		Non-current assets by location of assets	
(in CHF 1 000)	2010/11	2009/10	2011	2010
Switzerland	3 133	2 811	55	92
Italy	45 279	27 480	5 621	5 753
Germany	18 582	12 102	870	1 055
Other EMEA	75 899	75 423	11 740	12 566
Total EMEA	142 893	117 816	18 286	19 466
North America	22 353	19 529	132	163
Asia	16 626	12 285	1 305	1 346
Total Group	**181 872**	**149 630**	**19 723**	**20 975**

Revenues from external customers

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

As stated above, the Group has a large number of customers and, during the periods under review, no single customer accounted for more than 10% of the Group's net sales.

7. Employee benefit expense

(in CHF 1 000)	2010/11	2009/10
Wages and salaries	40 152	39 234
Post-employment benefit cost	1 229	1 967
Other social security cost	7 079	7 350
Other expenses	274	463
Total	**48 734**	**49 014**

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

8. Other operating income and expense

(in CHF 1 000)	2010/11	2009/10
Other operating income		
Gain on sale of property, plant and equipment	76	31
Other	459	478
Total other operating income	**535**	**509**
Other operating expense		
Loss on sale of property, plant and equipment	(9)	(12)
Personnel indemnity cost	(356)	(1 028)
Sundry claim cost	(335)	(1 020)
Other	(467)	(1 040)
Total other operating expense	**(1 167)**	**(3 100)**
Total other operating income (expense), net	**(632)**	**(2 591)**

9. Financial income and expense

(in CHF 1 000)	2010/11	2009/10
Financial income		
Interest income on short-term bank deposits	125	100
Total financial income	**125**	**100**
Financial expense		
Interest expense on bank borrowings	(153)	(177)
Net foreign exchange loss	(467)	(162)
Discount expense on decommissioning cost	(66)	(33)
Total financial expense	**(686)**	**(372)**
Total financial income (expense), net	**(561)**	**(272)**

10. Earnings per share

Earnings per registered share are computed based on the weighted average number of registered shares of CHF 3 each outstanding during the years.

Earnings per bearer share are computed based on the weighted average number of bearer shares of CHF 15 each outstanding during the years.

Basic and diluted earnings per share are as follows:

(in CHF 1 000)	2010/11	2009/10
Net profit attributable to owners of Carlo Gavazzi Holding AG	**22 730**	**7 736**
Percentage of registered shares out standing in comparison with the share capital outstanding	45.03%	45.03%
Percentage of bearer shares outstanding in comparison with the share capital outstanding	54.97%	54.97%
Registered shares		
Net profit attributable to registered shareholders	10 235	3 484
Average number of shares outstanding	1 600 000	1 600 000
Basic and diluted earnings per registered share (CHF)	**6.40**	**2.18**
Bearer shares		
Net profit attributable to bearer shareholders	12 495	4 252
Total number of shares outstanding	390 710	390 710
Average number of own shares held during the period	–	(265)
Average number of shares outstanding	390 710	390 445
Basic and diluted earnings per bearer share (CHF)	**31.98**	**10.89**

11. Dividends paid and proposed

Carlo Gavazzi Holding AG pays one dividend per financial year. The annual general meeting held on July 27, 2010, resolved to distribute a dividend for the financial year 2009/10 of CHF 1.00 per registered share and CHF 5.00 per bearer share for a total dividend payment of CHF 3 554, with value August 3, 2010.

At the annual general meeting to be held on July 28, 2011, payment of the following dividend for 2010/11 will be proposed:

Ordinary dividend per registered share	CHF	2.00
Ordinary dividend per bearer share	CHF	10.00
Proposed ordinary dividend	**CHF 1 000**	**7 107**

of which CHF 0.40 per registered share and CHF 2.00 per bearer share will be paid from the reserve for capital contribution, total CHF 1 421.

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

12. Trade receivables

(in CHF 1 000)	2011	2010
Trade receivables	39 485	36 599
Less allowance for doubtful accounts	(1 771)	(1 896)
Total	**37 714**	**34 703**

Movements in the allowance for doubtful accounts	2010/11	2009/10
Balance at April 1	**(1 896)**	**(1 764)**
Utilization of allowance	73	14
Reversal of unused allowance	199	313
Increase in allowance	(320)	(543)
Foreign exchange effect	173	84
Balance at March 31	**(1 771)**	**(1 896)**

Ageing analysis of trade receivables (in CHF 1 000)

as at March 31, 2011	Total	Not impaired	Impaired and fully/partly provided for
Not overdue	29 363	29 363	–
Less than 1 month overdue	5 243	5 218	25
Between 1–3 months overdue	2 462	2 353	109
Between 3–6 months overdue	747	534	213
Between 6–12 months overdue	492	155	337
More than 12 months overdue	1 178	141	1 037
Total	**39 485**	**37 764**	**1 721**

as at March 31, 2010	Total	Not impaired	Impaired and fully/partly provided for
Not overdue	29 409	29 409	–
Less than 1 month overdue	3 681	3 358	323
Between 1–3 months overdue	1 273	1 091	182
Between 3–6 months overdue	609	302	307
Between 6–12 months overdue	410	153	257
More than 12 months overdue	1 217	121	1 096
Total	**36 599**	**34 434**	**2 165**

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

(in CHF 1 000)	2011	2010
EUR	24 947	23 157
USD	3 391	3 208
CNY	2 200	1 932
SEK	1 795	1 341
DKK	1 192	1 240
CAD	1 318	1 197
GBP	1 010	844
Other	1 861	1 784
Total	**37 714**	**34 703**

13. Other receivables

(in CHF 1 000)	2011	2010
Current		
VAT and other tax receivables	4 775	3 737
Other receivables	590	1 811
Prepaid expense	950	1 104
Total current	**6 315**	**6 652**
Non-current		
Deposits and other receivables	378	406
Total non-current	**378**	**406**
Total other receivables	**6 693**	**7 058**

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

(in CHF 1 000)	2011	2010
EUR	5 727	6 269
Other	966	789
Total	**6 693**	**7 058**

All non-current receivables are due within five years from the end of the reporting period. No impairments were recognized on other receivables (none in 2009/10).

14. Inventories

(in CHF 1 000)	2011	2010
Raw materials and supplies	9 523	8 826
Work in progress	3 884	4 020
Finished goods	19 175	17 596
Inventories, gross	**32 582**	**30 442**
Less allowance for valuation	(3 760)	(4 542)
Total	**28 822**	**25 900**

The cost of inventories recognized as expense and included in cost of goods sold in 2010/11 amounted to CHF 83 109 (2009/10 CHF 67 673).
The write-down on inventories in 2010/11 amounted to CHF 265 (2009/10 CHF 631).

15. Property plant and equipment

(in CHF 1 000)	Land	Buildings	Leasehold improvements	Machinery and equipment	Furniture and fixtures	Vehicles	IT equipment	Total
Historical cost								
Balance at April 1, 2009	889	4 465	4 334	36 314	4 532	2 580	5 921	59 035
Additions	–	–	200	2 224	54	474	386	3 338
Disposals	–	–	(102)	(130)	(216)	(240)	(230)	(918)
Currency translation differences	(47)	(236)	(216)	(1 995)	(210)	(104)	(282)	(3 090)
Reclassifications	–	–	–	–	–	–	–	–
Balance at March 31, 2010	**842**	**4 229**	**4 216**	**36 413**	**4 160**	**2 710**	**5 795**	**58 365**
Additions	–	–	542	2 724	281	527	444	4 518
Disposals	–	–	(150)	(202)	(90)	(565)	(330)	(1 337)
Currency translation differences	(76)	(385)	(562)	(3 440)	(357)	(222)	(492)	(5 534)
Reclassifications	–	–	–	–	–	–	–	–
Balance at March 31, 2011	**766**	**3 844**	**4 046**	**35 495**	**3 994**	**2 450**	**5 417**	**56 012**
Accumulated depreciation								
Balance at April 1, 2009	–	(3 225)	(1 769)	(29 274)	(3 393)	(1 687)	(5 375)	(44 723)
Annual depreciation	–	(56)	(420)	(2 323)	(266)	(417)	(396)	(3 878)
Depreciation on disposals	–	–	88	206	125	231	228	878
Currency translation differences	–	174	102	1 619	169	73	241	2 378
Reclassifications	–	–	–	–	–	–	–	–
Balance at March 31, 2010	**–**	**(3 107)**	**(1 999)**	**(29 772)**	**(3 365)**	**(1 800)**	**(5 302)**	**(45 345)**
Annual depreciation	–	(157)	(375)	(2 251)	(256)	(367)	(321)	(3 727)
Depreciation on disposals	–	–	151	77	85	496	333	1 142
Currency translation differences	–	287	343	2 809	281	144	466	4 330
Reclassifications	–	–	–	–	–	–	–	–
Balance at March 31, 2011	**–**	**(2 977)**	**(1 880)**	**(29 137)**	**(3 255)**	**(1 527)**	**(4 824)**	**(43 600)**
Net book value								
at April 1, 2009	889	1 240	2 565	7 040	1 139	893	546	14 312
at March 31, 2010	842	1 122	2 217	6 641	795	910	493	13 020
at March 31, 2011	766	867	2 166	6 358	739	923	593	12 412
thereof acquired under finance leases								
at April 1, 2009	–	–	–	287	–	–	–	287
at March 31, 2010	–	–	–	167	–	–	–	167
at March 31, 2011	–	–	–	59	–	–	–	59

The fire insurance value of property, plant and equipment (excluding land) amounted to CHF 38 709 (2010 CHF 42 490).
Depreciation of property, plant and equipment is included in the income statement under cost of goods sold, research & development expense and selling, general and administrative expense.

16. Intangible assets

(in CHF 1 000)	Goodwill	Software	Total
Historical cost			
Balance at April 1, 2009	8 000	1 276	9 276
Additions	–	227	227
Disposals	–	–	–
Currency translation differences	(397)	(68)	(465)
Reclassifications	–	–	–
Balance at March 31, 2010	**7 603**	**1 435**	**9 038**
Additions	–	273	273
Disposals	–	(36)	(36)
Currency translation differences	(575)	(176)	(751)
Reclassifications	–	–	–
Balance at March 31, 2011	**7 028**	**1 496**	**8 524**
Accumulated amortization			
Balance at April 1, 2009	–	(1 025)	(1 025)
Annual amortization	–	(114)	(114)
Amortization on disposals	–	–	–
Currency translation differences	–	56	56
Reclassifications	–	–	–
Balance at March 31, 2010		**(1 083)**	**(1 083)**
Annual amortization	–	(187)	(187)
Amortization on disposals	–	36	36
Currency translation differences	–	21	21
Reclassifications	–	–	–
Balance at March 31, 2011	–	**(1 213)**	**(1 213)**
Net book value			
at April 1, 2009	8 000	251	8 251
at March 31, 2010	7 603	352	7 955
at March 31, 2011	7 028	283	7 311

There are no accumulated impairment losses in goodwill (see note 5 for method of calculation and key assumptions used).
Within intangible assets only goodwill is assumed to have an indefinite life.
Amortization of intangible assets is included in the income statement under cost of goods sold, research & development expense and selling, general and administrative expense.

17. Other payables

(in CHF 1 000)	2011	2010
Current		
VAT payable	1 607	1 962
Payables to employees	781	652
Payables to social security institutions	807	1 154
Other payables	906	709
Accrued warranty costs	1 084	559
Accrued sundry claim costs	650	492
Accrued personnel expense	10 203	9 510
Other accrued expense	5 757	6 509
Total current	**21 795**	**21 547**
Non-current		
Other payables	164	–
Total non-current	**164**	–
Total other payables	**21 959**	**21 547**

Accrued personnel expense includes a provision for the Long-Term Incentive plan (LTI) for 2010/11 of CHF 551, including employer's contribution to social security of CHF 102.

18. Borrowings

(in CHF 1 000)	2011	2010
Current		
Bank overdrafts	1 344	1 397
Bank loans	–	3
Other loans	449	359
Leasing obligations	48	104
Total current	**1 841**	**1 863**
Non-current		
Bank loans	385	429
Other loans	702	1 264
Leasing obligations	–	41
Total non-current	**1 087**	**1 734**
Total borrowings	**2 928**	**3 597**

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

(in CHF 1 000)	2011	2010
Less than 1 year	1 841	1 863
Between 1–3 years	687	1 193
Between 3–5 years	193	206
More than 5 years	207	335
Total	**2 928**	**3 597**

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

(in CHF 1 000)	2011	2010
EUR	2 495	3 136
CNY	385	429
DKK	48	32
Total	**2 928**	**3 597**

19. Employee benefit obligations

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

(in CHF 1 000)	2011	2010
Present value of funded obligations	3 683	5 025
Fair value of plan assets	(2 869)	(3 820)
Underfunding	**814**	**1 205**
Present value of unfunded obligations	3 521	3 994
Unrecognized past service cost	(9)	–
Total	**4 326**	**5 199**

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

(in CHF 1 000)	2011	2010
Balance at April 1	**9 019**	**8 577**
Current service cost	606	547
Interest cost	321	398
Actuarial losses/(gains)	(635)	401
Benefits paid	(1 542)	(786)
Past service cost	–	–
Settlements and curtailments	(120)	47
Exchange differences	(445)	(165)
Balance at March 31	**7 204**	**9 019**

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

(in CHF 1 000)	2011	2010
Balance at April 1	**3 820**	**3 346**
Expected return on plan assets	120	128
Actuarial gains/(losses)	(71)	80
Employer contributions	199	215
Employee contributions	86	88
Benefits paid	(1 176)	(66)
Settlements and curtailments	(62)	–
Exchange differences	(47)	29
Balance at March 31	**2 869**	**3 820**

The employee benefit expense charged in the income statement under cost of goods sold, research & development expense and selling, general and administrative expense is as follows:

(in CHF 1 000)	2010/11	2009/10
Defined benefit plans	749	866
Defined contribution plans	480	1 101
Total	**1 229**	**1 967**

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

(in CHF 1 000)	2010/11	2009/10
Defined benefit plans		
Current service cost	606	547
Interest cost	321	398
Expected return on plan assets	(120)	(128)
Past service cost	–	–
Amortization of net gain/(loss)	–	2
Curtailment loss/(gain) recognized	(58)	47
Total: Defined benefit plans	**749**	**866**
Defined contribution plans		
Employer contributions	480	1 101
Total: Defined contribution plans	**480**	**1 101**
Total	**1 229**	**1 967**
Actuarial gains/(losses) recognized in the statement of other comprehensive income in the year	**565**	**(320)**
Cumulative actuarial gains/(losses) recognized in the statement of other comprehensive income	**245**	**(320)**

The actual return on plan assets was CHF 40 (2009/10 CHF 208).
During the next financial year the Group expects cash provisions to defined benefit plans to amount to CHF 446.

The principal weighted average actuarial assumptions are as follows:

	2010/11	2009/10
Discount rate	4.13%	3.86%
Inflation rate	1.63%	1.60%
Expected return on plan assets	4.16%	4.12%
Future salary increases	2.55%	2.57%
Future pension increases	2.45%	2.64%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for Switzerland are based on post-retirement mortality table BVG 2005.

Pension plan assets are allocated to the following categories:

	2011	2010
Equity instruments	16.48%	18.61%
Debt instruments	60.52%	60.92%
Property	15.16%	14.21%
Other	7.84%	6.26%
Total	**100.00%**	**100.00%**

Pension plan assets of the subsidiaries in Norway and Switzerland are invested with trustee-administered funds. Investment strategy and decisions are made at the sole discretion of the respective fund trustees. The expected weighted average long-term return of 4.16% (2009/10 4.12%) on these pension plans is therefore based on professional experience and the expected returns available on the assets underlying the current investment strategies.

Subsidiaries in all other jurisdictions provide unfunded pension plans only.

The history of defined benefit plans and experience adjustments is as follows:

(in CHF 1 000)	2011	2010
Balance at March 31		
Present value of defined benefit obligations	7 204	9 019
Fair value of plan assets	(2 869)	(3 820)
Deficit in the plans	4 335	5 199
Experience adjustments on plan liabilities	**(383)**	**(22)**
Experience adjustments on plan assets	**67**	**140**

20. Other provisions

(in CHF 1 000)	Restoration cost	Total
Balance at April 1, 2009	**473**	**473**
Additions	7	7
Utilization	–	–
Reversal of unused provision	–	–
Currency translation differences	(1)	(1)
Balance at March 31, 2010	**479**	**479**
Additions	72	72
Utilization	–	–
Reversal of unused provision	(134)	(134)
Currency translation differences	(37)	(37)
Balance at March 31, 2011	**380**	**380**

21. Income taxes

Income tax expense is at follows:

(in CHF 1 000)	2010/11	2009/10
Current income taxes	9 914	5 138
Deferred taxes	(1 455)	(410)
Total	**8 459**	**4 728**

Carlo Gavazzi Holding AG is incorporated in Switzerland but the Group operates in numerous countries with differing tax laws and rates. Profits are generated primarily outside Switzerland. The Group calculates its expected tax rate as a weighted average of the tax rates in the relevant tax jurisdictions.

Reconciliation of profit before income tax to income tax expense is as follows:

(in CHF 1 000)	2010/11	2009/10
Profit before income tax	**31 189**	**12 464**
Average tax rate	25.23%	30.70%
Expected income tax expense	**7 869**	**3 826**
Effect of non-tax-deductible expense	195	596
Effect of non-taxable income	(1 276)	(179)
Increase in unrecognized tax losses	–	–
Utilization of previously unrecognized tax losses	(158)	(275)
Adjustments in respect of prior periods	860	152
Taxes not directly related to income	355	726
Other	(386)	(118)
Effective income tax expense	**8 459**	**4 728**

Variations in the average tax rate depend on the breakdown of results among the various entities and tax jurisdictions. The average tax rate decreased in comparison with the previous year mainly because of changes in the results reported by the various subsidiaries.

At the balance sheet date, the deferred tax assets and liabilities were attributable to items in the balance sheet as follows:

(in CHF 1 000)	2011	2010
Trade receivables	(72)	(113)
Inventories	2 109	1 842
Property, plant and equipment	263	219
Other assets	96	77
Other payables	938	575
Other liabilities	(68)	58
Tax loss carry-forwards	750	450
Net deferred tax assets (liabilities)	**4 016**	**3 108**
of which reported in the balance sheet as:		
Deferred income tax assets	4 150	4 126
Deferred income tax liabilities	(134)	(1 018)

For tax return purposes, certain subsidiaries have tax loss carry-forwards of CHF 8 480 (2010 CHF 8 800). Of these, CHF 4 680 have no expiration date, CHF 30 expire in the year ending March 31, 2013, CHF 30 expire in the year ending March 31, 2014, CHF 70 expire in the year ending March 31, 2015, CHF 450 expire in the year ending March 31, 2016 and CHF 3 220 expire in the year ending March 31, 2026.

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of CHF 1 700 (2010 CHF 2 150) in respect of losses amounting to CHF 5 700 (2010 CHF 7 300) which can be carried forward against future taxable income.

22. Share capital

The share capital of Carlo Gavazzi Holding AG at March 31, 2011 amounts to CHF 10 661 (2010 CHF 10 661) and is divided into registered shares of CHF 3.00 each and bearer shares of CHF 15.00 each. Each share carries one vote and all shares are entitled to receive dividends. The registered share capital amounts to CHF 4 800 divided into 1 600 000 registered shares of CHF 3.00 each (2010 1 600 000 of CHF 3.00 each). The bearer share capital amounts to CHF 5 861 divided into 390 710 bearer shares of CHF 15.00 each (2010 also 390 710 of CHF 15.00 each). All issued shares are fully paid.

At the annual general meeting of shareholders held on July 27, 2010, the conditional bearer share capital of CHF 529 divided into 35 270 bearer shares of CHF 15.00 each was cancelled. At March 31, 2011 there was no unissued authorized or conditional share capital.

There are no restrictions in Carlo Gavazzi Holding AG's statutes concerning the registration of registered shares. Under Swiss law, a company can hold up to a maximum of 10% of its own shares. As at March 31, 2011 the Group held no own shares (2010 nil).

23. Commitments and contingencies

Guarantees and sureties

The Group has guaranteed the debt to banks and other third parties on behalf of consolidated subsidiaries to cover banking facilities amounting to CHF 1 720 (2010 CHF 2 750). These guarantees have no expiry date and continue to be effective as long as the respective banking facilities continue to be extended.

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

(in CHF 1 000)	2011	2010
Land and buildings	–	242
Other current and non-current assets	482	795
Total	**482**	**1 037**

Leasing, rental and other commitments

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

(in CHF 1 000)	2011	2010
Less than 1 year	3 002	2 425
Between 1–5 years	6 482	5 159
More than 5 years	621	791
Total	**10 105**	**8 375**

The Group rents various offices, factories and warehouses under non-cancellable operating lease agreements for periods not exceeding ten years. Most of these contracts are renewable. Rental expense under operating leases amounted to CHF 2 285 (2009/10 CHF 1 618), whereas rental income under subleases amounted to CHF 50 (2009/10 CHF 91).

Pending legal cases

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

24. Related party transactions

The related parties consist primarily of shareholders, members of the board of directors and members of group management.

Principal shareholders

For major shareholders refer to note 25. Vontobel Fonds Services AG, holding 3.24% of the voting rights as of March 31, 2010 notified in November 2010 that their shareholding had fallen below the reporting level of 3%. Apart from these, there are no other shareholders known to the Group holding more than 3% of the voting rights.

Key management compensation

Key management consists of members of board of directors and members of group management. The compensation paid or payable to key management is as follows:

(in CHF 1 000)	2010/11	2009/10
Short-term employee benefits	1 909	1 609
Post-employment benefits	–	–
Other-long term benefits	260	–
Termination benefits	–	–
Share-based payments	–	–
Total	**2 169**	**1 609**

Other transactions with related parties

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

25. Key management compensation and share ownership

This note has been prepared in accordance with the requirements of articles 663b bis and 663c of the Swiss Code of Obligations (SCO).

Compensation to members of the board of directors

2010/11 (in CHF 1 000)	Valeria Gavazzi Chairman	Giovanni Bertola Vice-Chairman	Federico Foglia Member	Daniel Hirschi Member	Stefano Premoli Trovati Member	Total
Board fee, gross	–	300	64	79	80	523
Employer's contribution to social security	–	24	5	6	–	35
Total 2010/11	–	**324**	**69**	**85**	**80**	**558**

2009/10 (in CHF 1 000)	Valeria Gavazzi Chairman	Giovanni Bertola Vice-Chairman	Federico Foglia Member	Stefano Premoli Trovati Member	Total
Board fee, gross	–	300	61	63	424
Employer's contribution to social security	–	24	5	–	29
Total 2009/10	–	**324**	**66**	**63**	**453**

There are no share option plans in existence.

Stefano Premoli Trovati is also partner of the tax and law firm of TFP & Partners. During the year, the Group received advisory services from TFP & Partners for a total of CHF 112 (2009/10 CHF 12).

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

Alessandro Berlingieri, former director also acted as CEO of the Automation Components Business Unit from November 2008 until June 2009 and was remunerated for a total CHF 153.

Felix R. Ehrat, former director 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 Group received no legal advisory services from Bär & Karrer AG (2009/10 CHF 95).

Dominique Fässler, former director also provided no advisory services to the Group during the year (2009/10 CHF 8).

Compensation to members of group management

2010/11 (in CHF 1 000)	Vittorio Rossi CEO ACBU	Anthony M. Goldstein CFO	Felix Stöcklin Head CC	Total Group Management
Base salaries (fixed), gross	495	188	97	780
Bonus (variable), gross	201	60	–	261
LTI (variable), gross	204	–	–	204
Employer's contribution to social security	284	44	16	344
Other compensation	6	12	4	22
Total 2010/11	**1 190**	**304**	**117**	**1 611**

2009/10 (in CHF 1 000)	Vittorio Rossi CEO ACBU	Anthony M. Goldstein CFO	Felix Stöcklin Head CC	Total Group Management
Base salaries (fixed), gross	400	186	126	712
Bonus (variable), gross	125	60	–	185
Employer's contribution to social security	174	44	23	241
Other compensation	–	12	6	18
Total 2009/10	**699**	**302**	**155**	**1 156**

As described in note 17, provision for the long-term incentive plan (LTI) for 2010/11 has been made. The accrual for the CEO ACBU amounts to CHF 260, of which CHF 56 is included in Employer's contribution to social security. There are no share option plans in existence.

Shareholdings in Carlo Gavazzi Holding AG by members of the board of directors

at March 31, 2011	Valeria Gavazzi Chairman	Giovanni Bertola Vice-Chairman	Federico Foglia Member	Daniel Hirschi Member	Stefano Premoli Trovati Member	Total
Number of bearer shares	*	10	911	–	–	921
In percentage of share capital	*	–	0.13	–	–	0.13
In percentage of voting rights	*	–	0.04	–	–	0.04
Value of shares (in CHF 1 000)	*	2	192	–	–	194

at March 31, 2010	Valeria Gavazzi Chairman	Giovanni Bertola Vice-Chairman	Federico Foglia Member	Stefano Premoli Trovati Member	Total
Number of bearer shares	†	10	911	–	921
In percentage of share capital	†	–	0.13	–	0.13
In percentage of voting rights	†	–	0.04	–	0.04
Value of shares (in CHF 1 000)	†	1	136	–	137

(*) At March 31, 2011, Valeria Gavazzi, Chairman, personally owns nil bearer shares and 29,350 registered shares with 0.83% of the share capital and 1.47% of the voting rights. In addition Valeria Gavazzi indirectly controls 1,440,000 registered shares and 834 bearer shares with 40.64 % of the share capital and 72.38% of the voting rights.
In addition, the mother, Uberta Gavazzi, Zug, owns 94,000 registered shares and 4,495 bearer shares with 3.28% of the share capital and 4.95% of the voting rights.

(†) At March 31, 2010, Valeria Gavazzi, Chairman, personally owned nil bearer shares and 29,350 registered shares with 0.83% of the share capital and 1.47% of the voting rights. Valeria Gavazzi and her close family members together owned 5,235 bearer shares and 1,599,900 registered shares with 45.76% of the share capital and 80.6% of the voting rights.

Shareholdings in Carlo Gavazzi Holding AG by members of group management

at March 31, 2011	Vittorio Rossi CEO ACBU	Anthony M. Goldstein CFO	Total
Number of bearer shares	–	–	–
In percentage of share capital	–	–	–
Value of shares (in CHF 1 000)	–	–	–

at March 31, 2010	Vittorio Rossi CEO ACBU	Anthony M. Goldstein CFO	Felix Stöcklin Head CC	Total
Number of bearer shares	–	–	50	50
In percentage of share capital	–	–	–	–
Value of shares (in CHF 1 000)	–	–	7	7

Felix Stöcklin, former head of corporate communications, retired on December 31, 2010.

26. Discontinued operations

On April 1, 2009, the Group'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.

27. Events after the balance sheet date

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

28. Subsidiaries

At March 31, 2011 the following significant non-listed companies were held by Carlo Gavazzi Holding AG:

Percentage of shares held	Company name and domicile		Share capital (Local currency in 1 000)
100%	CARLO GAVAZZI PARTICIPATION DANMARK A/S, Hadsten, Denmark	DKK	10 000
100%	CARLO GAVAZZI GmbH, Vienna, Austria	EUR	73
100%	CARLO GAVAZZI SA, Vilvoorde, Belgium	EUR	224
100%	CARLO GAVAZZI (CANADA) Inc, Mississauga, Canada	CAD	5
100%	CARLO GAVAZZI AUTOMATION (KUNSHAN) Co Ltd, Kunshan, China	CNY	7 484
100%	CARLO GAVAZZI HANDEL A/S, Hadsten, Denmark	DKK	5 000
100%	CARLO GAVAZZI INDUSTRI A/S, Hadsten, Denmark	DKK	10 000
100%	CARLO GAVAZZI INDUSTRI KAUNAS UAB, Kaunas, Lithuania	LTL	35
100%	CARLO GAVAZZI OY AB, Helsinki, Finland	EUR	50
100%	CARLO GAVAZZI Sàrl, Roissy, France	EUR	274
100%	CARLO GAVAZZI GmbH, Darmstadt, Germany	EUR	2 000
100%	CARLO GAVAZZI UK Ltd, Aldershot, Great Britain	GBP	100
100%	CARLO GAVAZZI SpA, Lainate, Italy	EUR	2 300
100%	CARLO GAVAZZI AUTOMATION SpA, Lainate, Italy	EUR	7 180
100%	CARLO GAVAZZI LOGISTICS SpA, Lainate, Italy	EUR	1 500
100%	CARLO GAVAZZI CONTROLS SpA, Belluno, Italy	EUR	916
100%	CARLO GAVAZZI AUTOMATION (M) Sdn Bhd, Petaling Jaya, Malaysia	MYR	730
100%	CARLO GAVAZZI Ltd, Zejtun, Malta	EUR	1 048
100%	CARLO GAVAZZI BV, Beverwijk, Netherlands	EUR	136
100%	CARLO GAVAZZI AS, Porsgrunn, Norway	NOK	1 000
100%	CARLO GAVAZZI UNIPESSOAL Lda, Lisbon, Portugal	EUR	25
100%	CARLO GAVAZZI AUTOMATION SINGAPORE Pte Ltd, Singapore	USD	358
100%	CARLO GAVAZZI AUTOMATION (CHINA) Co Ltd, Shenzen, China	CNY	1 735
100%	CARLO GAVAZZI AUTOMATION HONG KONG Ltd, Hong Kong	HKD	50
100%	CARLO GAVAZZI SA, Leioa, Spain	EUR	451
100%	CARLO GAVAZZI AB, Karlstad, Sweden	SEK	800
100%	CARLO GAVAZZI AG, Steinhausen, Switzerland	CHF	200
100%	CARLO GAVAZZI Inc, Buffalo Grove, USA	USD	5
1%	CARLO GAVAZZI Mexico SA de CV, Mexico City, Mexico	MXN	50
99%	CARLO GAVAZZI Mexico SA de CV, Mexico City, Mexico	MXN	50
100%	CARLO GAVAZZI COMPUTING SOLUTIONS, Inc, Brockton, MA, USA	USD	6
100%	CARLO GAVAZZI INTERNATIONAL NV, Willemstad, Curaçao	CHF	24 000
100%	CARLO GAVAZZI SERVICES AG, Steinhausen, Switzerland	CHF	500

The major change during the year in principal subsidiaries held by the Group was as follows:
Carlo Gavazzi Marketing AG, Steinhausen, Switzerland was merged into Carlo Gavazzi Services AG.

In 2009/10, the major change was as follows:
Carlo Gavazzi SA de CV, Mexico City, Mexico was incorporated, owned 99% by Carlo Gavazzi Participation Danmark A/S and 1% by Carlo Gavazzi Inc.

29. Risk assessment according to Swiss Code of Obligations

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

The Group has established a fully integrated risk process that captures and evaluates the most important operational, strategic and financial risks. The key risks are entered in a risk and controls matrix and are rated on the basis of the potential degree of impact and the likelihood of each individual risk. Based on the Group'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.

Report of the Statutory Auditor

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

As statutory auditor, we have audited the consolidated financial statements of Carlo Gavazzi Holding AG, which comprise the statements of comprehensive income, balance sheets, statements of changes in equity, statements of cash flows and notes (pages 31 to 69), for the year ended March 31, 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) 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 and Swiss Auditing Standards as well as the International Standards on Auditing. 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, 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) 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

Bruno Häfliger
Audit expert
Auditor in charge

Daniel Wyss
Audit expert

Zug, June 27, 2011

Financial Statements

for the years ended March 31, 2011 and 2010

Statements of Income

for the years ended March 31

(in CHF 1 000)	Notes	2011	2010
Investment result			
Dividend income		**4 764**	3 675
Gain on own shares	5	**-**	37
Net investment result		**4 764**	3 712
Financial result			
Financial income – interest		**36**	374
Financial expense – exchange loss		**-**	-25
Financial expense – interest		**-**	-1
Net financial result		**36**	348
Miscellaneous result			
Administrative and other expense		**-358**	-298
Increase in provision for investments		**-**	-500
Net miscellaneous result		**-358**	-798
Income before taxes		**4 442**	3 262
Taxes		**2**	3
Net income		**4 440**	3 259

See notes to financial statements

Balance Sheets

at March 31

(in CHF 1 000)	Notes	2011	2010
Assets			
Current assets			
Liquid funds		16 935	15 454
Other accounts receivable – third parties		4	4
Other accounts receivable – group companies		-	91
Total current assets		16 939	15 549
Non-current assets			
Financial assets – investments, gross	2	90 150	90 150
Financial assets – provision for investments		-20 500	-20 500
Financial assets – investments, net		69 650	69 650
Total non-current assets		69 650	69 650
Total assets		86 589	85 199
Liabilities and shareholders' equity			
Current liabilities			
Other short-term liabilities – third parties		75	73
Other short-term liabilities – group companies		428	-
Provisions – taxes		3	3
Accrued expenses		298	224
Total short-term liabilities		804	300
Total liabilities		804	300
Shareholders' equity			
Share capital	3,4	10 661	10 661
Legal reserves – general		2 150	2 150
Reserve for capital contribution		1 459	-
Free reserves		59 838	61 297
Retained earnings		11 677	10 791
Total shareholders' equity		85 785	84 899
Total liabilities and shareholders' equity		86 589	85 199

See notes to financial statements

Statements of Changes in Retained Earnings and Reserves

(in CHF 1 000)

Retained earnings	
Balance March 31, 2009	**11 086**
Dividend paid	- 3 554
Net income 2009/10	3 259
Balance March 31, 2010	**10 791**
Dividend paid	- 3 554
Net income 2010/11	4 440
Balance March 31, 2011	**11 677**

Reserve for capital contribution	
Balance March 31, 2010	**-**
Transfer from free reserves	1 459
Balance March 31, 2011	**1 459**

Free reserves	
Balance March 31, 2009	**61 057**
Change in legal reserves – own shares	240
Balance March 31, 2010	**61 297**
Transfer to reserve for capital contribution	-1 459
Balance March 31, 2011	**59 838**

Proposals of the board of directors for 2010/11 regarding appropriation of retained earnings, free reserves and reserve for capital contribution

Distribution of ordinary dividend	
- 1 600 000 registered shares at CHF 1.60 per share	2 560
- 390 710 bearer shares at CHF 8.00 per share	3 126
Distribution of jubilee dividend	
- 1 600 000 registered shares at CHF 3.00 per share	4 800
- 390 710 bearer shares at CHF 15.00 per share	5 861
Transfer from free reserves	5 000
To be carried forward	**330**

Distribution from reserve for capital contribution (Article 20 DBG)	
- 1 600 000 registered shares at CHF 0.40 per share	640
- 390 710 bearer shares at CHF 2.00 per share	781
To be carried forward	**38**

Notes to the 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 1 720 (2010 CHF 2 750).

The company is a member of a VAT group and is therefore jointly and severably liable for the payment of the VAT liabilities of the other members of the Swiss VAT group.

2. Significant investments

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

3. Capital structure

The company's share capital is divided into registered shares of CHF 3.00 each and bearer shares of CHF 15.00 each. Each share carries one vote. The registered share capital amounts to CHF 4 800 divided into 1 600 000 registered shares of CHF 3.00 each (2010 also 1 600 000 of CHF 3.00 each).

The paid-in bearer share capital amounts to CHF 5 861 divided into 390 710 bearer shares of CHF 15.00 each (2010 also 390 710 of CHF 15.00 each). The conditional bearer share capital amounts to CHF nil (2010 CHF 529) and in 2010 was divided into 35 270 bearer shares of CHF 15.00 each. The conditional bearer share capital was 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

At March 31, 2011, Valeria Gavazzi, Zug, directly and indirectly controls 1,469,350 registered shares and 834 bearer shares (corresponding to 41.47 % of the share capital and 73.85 % of the voting rights) of the company. In addition Uberta Gavazzi, Zug, owns 94,000 registered shares and 4,495 bearer shares (corresponding to 3.28 % of the share capital and 4.95 % of the voting rights) of the company.

At March 31, 2010, the Gavazzi family held directly and indirectly 80.6 % of the voting rights of the company.

Vontobel Fonds Services AG, holding 3.24% of the voting rights as of March 31, 2010, notified the company in November 2010 that their shareholding had fallen below the reporting level of 3%.

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, 2009	909	
Disposals July 2009	-909	130.00
Balance March 31, 2010 and 2011	-	

6. Risk assessment according to 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 29 to the consolidated financial statements.

Report of the Statutory Auditor

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

As statutory auditor, we have audited the financial statements of Carlo Gavazzi Holding AG, which comprise the income statements, balance sheets, statements of changes in retained earnings and reserves and notes (pages 73 to 77), for the year ended March 31, 2011.

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, 2011 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.
We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Bruno Häfliger
Audit expert
Auditor in charge

Daniel Wyss
Audit expert

Zug, June 27, 2011

Group Companies

Group

Headquarters

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

Automation Components

Headquarters

Italy	CARLO GAVAZZI AUTOMATION SPA	+39 02 931 761	info@gavazziautomation.com

Sourcing Companies

China	CARLO GAVAZZI AUTOMATION (KUNSHAN) CO LTD	+86 512 5763 9300	cgak@carlogavazzi.cn
Italy	CARLO GAVAZZI CONTROLS SPA	+39 0437 35 88 11	controls@gavazziacbu.it
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Malta	CARLO GAVAZZI LTD	+356 2 360 1100	gavazzi@carlogavazzi.com.mt

National Sales Companies

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Belgium	CARLO GAVAZZI NV/SA	+32 2 257 41 20	sales@carlogavazzi.be
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Publisher
Carlo Gavazzi Holding AG
Sumpfstrasse 32
CH-6312 Steinhausen, Switzerland
www.carlogavazzi.com

Layout and typesetting
gabrielabeutter gmbh, Meilen, Switzerland
www.gabrielabeutter.ch

Print
Kalt-Zehnder-Druck AG, Zug, Switzerland
www.kalt.ch

Portraits
Fotostudio Peter Hofstetter, Cham, Switzerland
www.peterhofstetter.ch

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