CARLO GAVAZZI

Media Information

Carlo Gavazzi achieves solid result in 2011/12 despite very challenging environment

- **Operating revenue of CHF 142.8 million**
- **CHF/€ exchange rate affects top line by 9.4%**
- **Revenue in local currency decrease of 13.3% mostly stemming from solar energy (-10.8%)**
- **Stable core business**
- **Further expansion in emerging markets**
- **Net income reaches CHF 16.8 million – exceeding five and ten year average**
- **Equity ratio increases from 67% to 73%**
- **Dividend of CHF 12.00 per bearer share proposed to AGM**

Steinhausen, June 28, 2012 – Despite the very challenging economic and market environment, Zug-based electronic group Carlo Gavazzi achieved a solid result in the 2011/12 fiscal year. The world economic situation developed unevenly: automation markets in Europe were most affected, while business activity increased in North America and in Asia-Pacific. Highly volatile exchange rates of the Swiss Franc against the Euro contributed to a decrease in operating revenues of 9.4% while overall currency effects lead to a decline of 8.2%. Following last year's boom in renewable energy, this business was very negatively impacted by government policy changes in all European key markets. Priority markets both in building and industrial automation grew by more than 5% compared with the previous year thanks to the successful introduction of new products and dedicated initiatives across the regions.

Overall, the Group achieved operating revenues of CHF 142.8 million. Total sales decreased by 13.3% in local currency (-21.5% in Swiss Francs), essentially because of the decline in renewable energy products (-10.8%). The Group's core business – excluding especially the highly volatile solar energy sector – remained stable. Gross profit improved by 0.9 percentage points from 54.2% to 55.1%, mainly thanks to tight cost control across the whole supply chain.

To strengthen its presence in fast growing economies, the Group continues to expand in countries such as China, Mexico and Taiwan. In addition, R&D efforts have been enhanced to provide customers worldwide with a broader range of innovative products.

Net income in 2011/12 reached CHF 16.8 million primarily from operating activities. While this result is lower than in the previous year, it clearly exceeds both the five and ten-year average.

Cash flow reached CHF 20.1 million, confirming the Group's strong cash generation capacity.

Following the distribution of an extraordinary jubilee dividend last year, the Group's net cash position decreased slightly from CHF 55.1 million to CHF 49.2 million. As at March 31, 2012, shareholder's equity stood at CHF 96.3 million, giving an equity ratio of 72.9%, i.e. 5.8 percentage points more than last year.

For many years Carlo Gavazzi has maintained a policy of distributing a significant part of net income to shareholders. The Board of Directors is therefore proposing to the annual shareholders' meeting to approve distribution of an ordinary dividend of CHF 12.00 per bearer share and CHF 2.40 per registered share.

Strong sales in Asia and North America

All regions were impacted by the challenging economic and market conditions. While sales decreased in Europe, they grew in both North America and Asia-Pacific, leading to a broader distribution of sales worldwide. Revenues in Europe fell by 17.8% in local currency. This decline was driven by a combination of several factors: recession in a number of key countries such as Spain, much lower demand in the automation sector and a significant contraction in renewable energy business.

In North America, sales and marketing activities in both building and industrial automation produced growth of 12.3% versus the previous year. The Mexican sales company achieved more than 50% year-on-year growth thanks to the development of its distribution network. Increasing demand for building automation products was the main drive for the 4.9% year-on-year increase in sales in Asia-Pacific where growth in local currency was achieved in the entire area.

Thanks to dynamic growth outside Europe, the geographical distribution of revenue continues to broaden: sales outside Europe expanded from 21% of total revenues last year to 25%, to which North America and Asia-Pacific contributed 15% and 10% respectively.

Solid revenue from priority markets

Despite the difficult environment in Europe, revenue in priority markets performed significantly better than overall sales, confirming the effectiveness of the Group's strategic segment selection and related initiatives. Across the product lines, Fieldbuses and Switches grew by more than 25% and 3% respectively and Sensors performed almost in line with the previous year. Product lines supplying the renewable energy markets such as Controls and Inverters declined compared to previous year.

Fieldbuses growth was due to several initiatives and actions worldwide targeting both building automation (i.e. car park systems) and industrial automation markets (i.e. safety monitoring on conveyor belts). Soft starters achieved a remarkable performance (14% higher than previous year) thanks to developments in building automation markets, particularly in the heating, ventilation and air conditioning market, where products are specifically designed for heat pumps and chillers with scroll compressors. The demand for energy management products used in photovoltaic solar farms was negatively impacted by country-specific policies. Subsidies in key markets such as Germany and Italy were significantly reduced.

However, the Group's performance in this market was supported by sales in conventional energy and in distribution and almost matched the previous year overall.

Outlook

The distressed financial situation of several European countries is a major challenge for the Group. Despite the divergence in growth rates between major industrialized countries on the one hand, and emerging markets on the other, balanced development remains a key objective.

Sustainable growth will be driven by developing new products and new niche markets, by strengthening R&D and product management, by streamlining the internal value chain and further expanding in rapidly growing markets. Following dedicated business development initiatives in Taiwan, the next focus in Asia will be India. In countries where a direct sales presence is not planned or economical, the preferred coverage option will be through resident engineers working with improved distributor partnerships. In Brazil, by contrast, the Group is planning to set up a direct presence in order to improve penetration and boost market growth in South America.

In summary, Carlo Gavazzi has taken significant measures to continue to further strengthen both its product portfolio and its global distribution network. However, given the unpredictable development of most economies worldwide, a reliable forecast for 2012/13 is not foreseeable at this time.

The complete Annual Report 2011/12 of the Carlo Gavazzi Group will be available by July 5, 2012, on: http://www.carlogavazzi.com/en/investors/annual-report.html

Consolidated key figures
(CHF million)

Income statement	**2011/12**	2010/11	%
Bookings	**139.6**	185.6	-24.8
Operating revenue	**142.8**	181.9	-21.5
EBITDA	**24.6**	35.7	-31.1
EBIT	**21.2**	31.8	-33.3
EBIT margin	**14.8%**	17.5%	
Net income	**16.8**	22.7	-26.0
Cash flow	**20.1**	26.6	-24.4
Balance sheet (as at 31 March)	**2012**	2011	
Net working capital	**30.9**	29.8	+3.7
Shareholders' equity	**96.3**	104.1	-7.5
Total assets	**132.2**	155.1	-14.8
Equity as % of assets	**72.9%**	67.1%	

About Carlo Gavazzi:
Carlo Gavazzi is a publicly quoted international electronics group (SIX: GAV) with activities in the design and marketing of electronic control components for factory and building automation.

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