

## NEWS RELEASE

### Johnson Electric reports record profits for the year ended 31 March 2013

#### Highlights of 2012/13 Results

- For the financial year ended 31 March 2013, total sales amounted to US\$2,060 million – a decrease of 4% compared to the prior financial year. Excluding the effects of divestitures of non-core businesses and foreign currency changes, underlying sales increased by 1%
- Gross profit margins increased to 28.0% from 27.3% in the prior year
- EBITDA totalled US\$304 million – down 3%
- Operating profits including the gain associated with the divestiture of a non-core business and other non-recurring items were US\$213 million, a decrease of 4% compared to the prior year. Excluding divestitures and non-recurring items, operating profits were US\$188 million or 9.1% of sales
- Net profit attributable to shareholders increased to a record US\$191 million, an increase of 2.5%
- Earnings per share increased by 3.9% to 5.36 US cents
- The Board has recommended increasing the final dividend to 8 HK cents (1.03 US cents) per share, which together with the interim dividend of 3 HK cents (0.38 US cents) per share, represents a total dividend of 11 HK cents (1.41 US cents) per share – a 10% increase in total dividends for the year

HONG KONG, 16 May 2013 – Johnson Electric Holdings Limited (“Johnson Electric”), a global leader in motion subsystems and micromotors, today announced its results for the financial year ended 31 March 2013.

Sales for 2012/13 financial year totalled US\$2,060 million, a decrease of 4% over the prior financial year. Profit attributable to shareholders increased by 2.5% to a record US\$191 million. Earnings per share increased by 3.9% to 5.36 US cents.

The 4% decrease in total sales to US\$2,060 million reflected the combination of higher sales to automotive customers, weaker demand from industrial customers and the effects of foreign exchange rate movements and divestitures of non-core businesses. Assuming constant exchange rates and excluding the one-time effects of divestitures, Johnson Electric’s underlying sales increased by 1%.

The Automotive Products Group (“APG”), the largest operating division, achieved sales of US\$1,304 million – an increase of 2% compared to a year earlier. In constant currency terms, APG’s sales increased by 6% with all major geographic regions delivering positive results.

In the US, the automotive market has continued on its path to recovery with consumers feeling more confident about replacing ageing vehicles in a gradually improving economy and manufacturers providing a range of sales incentives to stimulate demand. This contrasts with the situation in Europe where several depressed economies and record levels of unemployment is resulting in new car sales collapsing to levels last seen twenty years ago. Against this very difficult backdrop, Johnson Electric sales to European customers actually increased by 5% in constant currency terms as we continue to win business by providing innovative technology solutions to the functional requirements most critical to automotive OEMs today: better fuel economy, reduced emissions, greater comfort, and higher safety. APG also performed well in Asia, where we benefited from our strong market position in China and from increasing sales in South Korea and India.

The Industry Products Group (“IPG”) had a more difficult year with sales down 9% (8% in constant currency terms) to US\$686 million. Each of the three main geographic regions

experienced a decrease in sales. In part this reflected generally subdued economic conditions and poor consumer sentiment in many end markets in Europe and North America. In addition, we have sought to maintain pricing discipline and have been prepared to exit from selected lower margin product applications that do not meet our profitability criteria.

The main factors affecting the cost base of the business were lower raw material expenditure over the course of the year, further increases in wage rates in China (exacerbated by the strengthening of the RMB against the US Dollar), and on-going initiatives to both improve operational efficiency and invest in people and processes to support the long-term development of the Group.

Rising labour rates in China have been a particularly strong headwind for the Group to cope with over the past several years. In response, considerable effort has been made to redesign assembly processes and increase the levels of automation in our operations. This has resulted in significant productivity gains that helped to underpin an improvement in gross profit margins to 28.0% of sales (compared to 27.3% in FY2011/12).

During the year, Johnson Electric completed the divestiture of a non-core business unit manufacturing programmable logic controllers for a gross cash consideration of Euro 100 million and recorded an after-tax gain on the sale of nearly US\$25 million. The effect of this disposal, combined with other income, charges and non-recurring items that varied on a year-on-year basis, as well as increased selling and administrative expenses, was that operating profits decreased to US\$213 million (compared to US\$221 million in FY2011/12). Excluding divestitures and other non-recurring items, operating profits were US\$188 million or 9.1% of sales.

The Group's overall financial condition remains strong and is underpinned by consistently healthy operating cash flow. Borrowings were further reduced during the year and, taking into account cash reserves of US\$481 million, the Group's total debt to capital ratio was 7% as at 31 March 2013.

The Directors have today recommended increasing the final dividend to 8 HK cents (1.03 US cents) per share, which together with the interim dividend of 3 HK cents (0.38 US cents) per share, represents a total dividend of 11 HK cents (1.41 US cents) per share – a 10% increase in total dividends for the year.

### **Chairman’s Comments on Results and Outlook**

Commenting on the annual results, Patrick Wang, Chairman and Chief Executive, said, “Johnson Electric achieved satisfactory results in the financial year 2012/13. Overall sales and profit levels were broadly flat compared to the prior year reflecting the combination of mixed economic conditions in the markets where the Group operates, foreign exchange rate fluctuations, and the divestiture of a non-core business unit.”

“Beneath the stable headline results, Johnson Electric continued to make sustained progress in reshaping its business model to compete successfully in an unpredictable and currently difficult world economy. Our business strategy is focused on ensuring that we invest our sales and engineering resources in motion product applications with favourable long term growth prospects. Our pipeline of innovative and differentiated new products is stronger than ever. Our manufacturing footprint continues to evolve into the most global and flexible in our industry. And our on-going initiatives to eliminate waste, improve quality and enhance the effectiveness of our operations remain critical foundations upon which Johnson Electric seeks to create value over time.”

Discussing the Group’s prospects, he said: “In the aftermath of the Global Financial Crisis, the task of predicting the prospects of global industrial manufacturing businesses shows no sign of getting any easier. Many economic commentators presently describe a “three-speed” world economy characterised by above average growth in most developing countries, a gradual but hesitant recovery in the United States, and prolonged gloom in Europe. However, it is also evident that considerable downside risks remain, especially in Europe where politicians and economists are sharply divided over whether austerity or continued deficit spending is the best medicine for the region’s ills.”

“Johnson Electric’s current sales levels are broadly stable with encouraging customer demand for our new motion subsystem solutions offset by persistent price competition in lower end applications, especially in IPG. Visibility on overall demand much beyond the first quarter is low, with the recent weakness in the German automotive market an area of concern.”

“In such circumstances, we believe the most prudent approach for Johnson Electric is to remain focused on executing our long-term strategy and tightly manage the factors over which we can exercise greatest control. This includes continuing to invest in innovative technology in our chosen markets, improving product quality, adapting our manufacturing footprint to enhance our operating risk profile, and maintaining a strong balance sheet.”

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### **About Johnson Electric Group**

The Johnson Electric Group is the global leader in motion subsystems, including motors, solenoids, switches and flexible interconnects. It serves a broad range of industry segments including automotive, building automation and security, business machines, food and beverage, home technologies, HVAC, industrial equipment, medical devices, personal care, power equipment and power tools. The Group is headquartered in Hong Kong and the total global headcount including contract employees stands at approximately 36,000 individuals in 23 countries. Innovation and product design centres are located in Hong Kong, China, Switzerland, Germany, Italy, Israel, Japan, the UK and the USA. Johnson Electric Holdings Limited is listed on The Stock Exchange of Hong Kong Limited (code 179). For further information, please visit: [www.johnsonelectric.com](http://www.johnsonelectric.com).

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*Attached to this media release is a summary of Johnson Electric Holdings Limited' consolidated income statement for the twelve month period ended 31 March 2013. The full text of the annual results announcement including the Chairman's Letter to Shareholders is available through the company's website at [www.johnsonelectric.com](http://www.johnsonelectric.com).*

# JOHNSON ELECTRIC HOLDINGS LIMITED

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH

	2013 US\$M	2012 US\$M	<i>% change</i>
Sales	2,059.7	2,140.8	-4%
Cost of goods sold	(1,482.0)	(1,556.4)	-5%
Gross profit	<u>577.7</u>	584.4	-1%
Other income and gains, net	28.4	18.3	
Selling and administrative expenses	(393.2)	(368.6)	
Restructuring and other costs	-	(13.0)	
Operating profit	<u>212.9</u>	221.1	-4%
Finance income and costs, net	4.8	(1.1)	
Share of profits of associate	0.3	0.5	
Profit before income tax	<u>218.0</u>	220.5	-1%
Income tax expense	(21.1)	(31.6)	
Profit for the year	<u>196.9</u>	188.9	+4%
Deduct: Non-controlling interests	(5.6)	(2.2)	
<b>Profit attributable to shareholders</b>	<u><b>191.3</b></u>	186.7	+2%
Basic earnings per share (in US cents)	5.36	5.16	+4%
Fully diluted earnings per share (in US cents)	5.33	5.15	+3%

Note: The full text of the annual results announcement including the Chairman's Letter to Shareholders is available through the company's website at [www.johnsonelectric.com](http://www.johnsonelectric.com)