

NEWS RELEASE

Johnson Electric reports record profits for the year ended 31st March 2014

Highlights of 2013/14 Annual Results

- For the financial year ended 31st March 2014, total sales amounted to US\$2,098 million – an increase of 2% compared to the prior financial year. Excluding the effects of non-recurring items and foreign currency changes, underlying sales increased by 3%
- Gross profit margins increased to 29.5% from 28.0% in the prior year
- EBITDA totalled US\$322 million – up 6%
- Operating profits increased by 10% to US\$233 million (11.1% of sales). Excluding the one-time gain associated with the divestiture of a non-core business and other non-recurring items recorded in the prior financial year, operating profits increased by 24%
- Net profit attributable to shareholders increased to a record US\$208 million, an increase of 9%
- Earnings per share increased by 9% to 5.85 US cents
- The Group's gearing level remained low with a debt to total capital ratio declining from 7% to 6%. At the financial year end, the Group had total borrowings of US\$117 million and total cash reserves of US\$644 million

HONG KONG, 15th May 2014 – Johnson Electric Holdings Limited (“Johnson Electric”), a global leader in motion subsystems, today announced its results for the twelve months ended 31st March 2014.

Sales for 2013/14 financial year totalled US\$2,098 million, an increase of 2% over the prior financial year. Profit attributable to shareholders increased by 9% to a record US\$208 million or 5.85 US cents per share.

The 2% increase in total sales to US\$2,098 million reflected the combination of strong demand from automotive customers, lower sales to industrial customers, foreign exchange rate movements, the effects of divesting a non-core business and other non-recurring items in the prior financial year. Assuming constant exchange rates and excluding those non-recurring items, Johnson Electric’s underlying sales increased by 3%.

The Automotive Products Group (“APG”), the largest operating division, achieved sales of US\$1,437 million. In constant currency terms and excluding the one-time effect of in-sourcing a distribution channel in Europe in the prior year, APG’s sales increased by 7% with all major geographic regions delivering improved results.

APG’s focus on providing innovative motion subsystems that improve fuel economy, reduce fuel emissions or enhance safety and comfort is continuing to bring it success in the marketplace.

The result of these compelling product offerings was especially evident in Europe where, despite car sales dropping to a two decade low in 2013, APG grew its sales in constant currency terms by 10% compared to the prior year. Sales to Asia grew by 4% in constant currency terms reflecting the combination of solid sales to China and India offset somewhat by comparatively weaker sales in other countries in the region. APG’s sales to the Americas, presently its smallest geographic end market, recorded only a slight improvement due to soft demand in South America and the end of some programmes affecting the Body Comfort and Actuator Systems business units in North America.

The Industry Products Group (“IPG”) reported a 4% decline in sales to US\$661 million. As has been discussed in prior reports to shareholders, IPG has been undergoing an important repositioning in the past few years by which it has sought to reduce its exposure to some more commoditised product applications and focus instead on market segments which value more differentiated technology solutions. While competitive pressures in lower end product applications continue to depress IPG’s total sales, we are increasingly encouraged by the response of customers to our range of new product innovations and by the improved gross margins the division is achieving overall.

A key product development strategy of IPG is to improve energy efficiency and to create “human value” in end-user products. To this end, Johnson Electric has continued to invest in developing and launching new patent-protected products to align with the “Smart Grid” remote management initiatives that are becoming major features in the electricity and gas distribution industries worldwide. Remotely activated shut-off valves for gas meters and connection/disconnection modules for electric meters have been designed to exceed local regulatory requirements for safety and performance – and over the course of the past few months this has resulted in important new business wins in the US, Europe and Asia.

On the cost side of the business, the Group has continued to benefit from relatively stable raw material prices and from management’s perennial efforts to eliminate waste and improve the efficiency of our operations. Partly offsetting this was the impact of continued high wage inflation in China where the majority of our labour force is located. These factors, together with improved sales volumes and product mix, resulted in gross profit margins increasing by 1.5 percentage points to 29.5%.

Operating profitability also improved with margins rising to 11.1% from 10.3% in the prior year. This improvement reflected a combination of factors including favourable foreign exchange movements and hedging gains, cost reductions including quality and reliability improvements, and year-on-year variations in provisions and other one-time gains or losses. The prior year’s operating profit also included a number of non-recurring items including a gain on the divestiture of a non-core business.

Johnson Electric's consistently robust cash generative qualities were reflected in its free cash flow from operations which, excluding the effects of in-sourcing a distribution channel in the prior year, increased by 43% to US\$231 million.

Dividends and Proposed Share Capital Consolidation

The Board has recommended increasing the final dividend paid to shareholders by 6% to 8.5 HK cents (1.09 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 11.5 HK cents (1.47 US cents) per share.

It is the intention of the Board to increase, gradually and over the long term, the ratio of interim dividends such that it represents approximately one-third of the prior financial year's total dividends paid. Related to this, the Board is also proposing a 1 for 4 consolidation of Johnson Electric ordinary shares which, if approved by shareholders, will enable greater flexibility in future dividend distributions. Subject to the performance of the Group in the first half of the 2014/15 financial year and taking into account its overall financial condition and prospects at the time, the Board intends to give consideration to increasing the 2014/15 interim dividend which has remained constant at 3 HK cents per share (or 12 HK cents per share assuming the proposed share consolidation is implemented) for the past three years.

Chairman's Comments on Results and Outlook

Commenting on the annual results, Patrick Wang, Chairman and Chief Executive, said, "Johnson Electric achieved strong results in the financial year 2013/14. A gradually improving global economy, subdued raw material prices, and on-going operating efficiency gains provided the foundation for a record profit and further strengthening of the Group's balance sheet."

Discussing the Group's prospects, he said: "The Group is investing aggressively to strengthen its global operating footprint, expand its production capacity and capabilities, and improve its supporting infrastructure in areas such as information technology and quality assurance. In the 2014/15 financial year, we plan to commence production in newly built plants in India and

Serbia, as well as significantly expand our existing facility in Mexico to meet customer demand. The effect of these longer term growth projects will be higher capital expenditures and operating costs in the short term as new plants go through their normal start-up phase to achieve targeted higher production volumes. In addition, we face the recurrent headwind of sharply rising labour rates in China which will again require further efforts on the part of management to identify cost savings and new areas for efficiency improvements and automation.”

“Overall, I believe it is realistic to expect operating margins and net profits in the 2014/15 financial year to be somewhat lower than those high levels achieved in 2013/14. Looking further to the future, however, I am confident that our business strategy and the investments we are currently undertaking will deliver sustained benefits to all of our stakeholders.”

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About Johnson Electric Group

The Johnson Electric Group is the global leader in motion subsystems. It serves a broad range of industries including automotive, building automation and security, business machines, security and aerospace, food and beverage equipment, 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 stood at approximately 35,000 individuals located in Asia, the Americas and Europe. 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 (Stock Code: 179). For further information, please visit: 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 31st March 2014. 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.

JOHNSON ELECTRIC HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

	For the 12 Months Ended 31st March		
	2014	2013	
	US\$M	US\$M	% change
Sales	2,097.6	2,059.7	+2%
Cost of goods sold	(1,478.7)	(1,482.0)	
Gross profit	618.9	577.7	+7%
Other income and gains, net	19.8	28.4	
Selling and administrative expenses	(405.2)	(393.2)	
Operating profit	233.5	212.9	+10%
Net interest income	9.1	4.8	
Share of profit of associate	0.4	0.3	
Profit before income tax	243.0	218.0	+11%
Income tax expense	(28.1)	(21.1)	
Profit for the year	214.9	196.9	
Non-controlling interests	(7.0)	(5.6)	
Profit attributable to shareholders	207.9	191.3	+9%
Basic earnings per share (in US cents)	5.85	5.36	9%
Diluted earnings per share (in US cents)	5.81	5.33	9%

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