

NEWS RELEASE

Johnson Electric reports record net income for the financial year ended 31st March 2015

Highlights of 2014/15 Annual Results

- For the financial year ended 31st March 2015, total sales amounted to US\$2,136 million – an increase of 2% compared to the prior financial year. Excluding the effects of foreign currency changes, underlying sales increased by 4%
- Gross profit margins slightly increased to 29.6% from 29.5% in the prior year
- EBITDA totalled US\$336 million – up 4%
- Operating profit increased by 4% to US\$243 million or 11.4% of sales
- Net profit attributable to shareholders increased 1% to a record US\$211 million
- Basic earnings per share increased by 3% to 24.11 US Cents
- The Group's gearing level remained low with a total debt to capital ratio of 13%

HONG KONG, 13th May 2015 – Johnson Electric Holdings Limited (“Johnson Electric”), a global leader in motion subsystems, today announced its results for the year ended 31st March 2015.

Sales for the financial year 2014/15 totalled US\$2,136 million, an increase of 2% over the prior financial year. Profit attributable to shareholders increased by 1% to a record US\$211 million or 24.11 US Cents per share.

Sales Performance

A generally solid overall sales performance was partially offset by the significant movements in foreign exchange rates during the year. Before the effects of currency changes, underlying sales grew by 4% compared to the prior year. After currency changes, particularly the lower average exchange rate for the Euro against the US Dollar, Group sales increased by 2% to US\$2,136 million.

The Automotive Products Group (“APG”), the largest operating division, achieved sales of US\$1,458 million. Excluding currency effects, which reduced sales by US\$44 million, APG’s sales increased by 4%.

Strong performance by the Engine & Transmission and Powertrain Cooling business units reflected Johnson Electric’s industry leading technologies in these segments where the focus of customers is on solutions that improve fuel economy and reduce emissions. On a geographic basis, European sales benefited from the first overall increase in car registrations in the region in seven years, but Euro denominated sales were negatively affected upon translation into US Dollars. In Asia, APG performed strongly despite the slowdown in China vehicle sales growth from the exceptional levels seen in recent years. The only area of disappointment for APG has been in the Americas region, which is the division’s smallest major regional market in terms of direct sales. Partly as a result of certain programmes ending over the past two years, we have yet to benefit from the strong recovery of the US auto industry. However, with the establishment of our Mexico manufacturing facilities, we see a major opportunity for the Group to grow its presence and market share in the region.

The Industry Products Group (“IPG”) reported a 3% increase in sales (up 4% in constant currency terms) to US\$679 million. This compares to a 4% decline in the prior year and marks an important shift in the trajectory and competitive position of the division. Solenoid Actuators, Parlex and JE MedTech were the standout performers for IPG during the year. These business units exemplify our strategy of investing in differentiated technology and serving customers whose flagship products require customised motion solutions.

Sustaining Healthy Profitability and Balance Sheet Strength

Gross profit margins slightly increased to 29.6% (FY2013/14: 29.5%) due primarily to subdued raw material prices and ongoing cost reduction initiatives which were offset by rising labour costs – particularly in China, but also as a result of the opening of new manufacturing facilities in Mexico and Serbia.

Although total sales in the period under review were depressed by foreign currency movements, the Group's use of forward contracts in the normal course of business helped to mitigate the impact on operating profit which totalled US\$243 million or 11.4% of sales.

Free cash flow from operations amounted to US\$156 million, down US\$75 million from the prior year. This decline was largely the result of higher working capital required to support increased business levels and higher capital expenditures associated with the expansion of the Group's operating footprint and increased investment in automation.

Johnson Electric's overall financial condition remains robust. As of 31st March 2015, cash reserves amounted to US\$773 million and the total debt to capital ratio was 13%.

New Milestones in International Expansion

During the year, the Group made significant progress in the development of its global manufacturing footprint which is a critical element in our long-term competitive strategy.

In September 2014, a new plant was opened in Niš, Serbia which adds to our existing capacity in Eastern Europe and is well placed to provide our customers in the region with a highly compelling fulfillment proposition. Similarly, a second plant has been opened in Mexico to meet growing demand from customers in the Americas. And in Asia, we have recently relocated our manufacturing facility in Chennai, India to larger premises designed to meet the needs of the domestic automotive sector.

In addition to these organic growth initiatives, we are continuing to evaluate potential acquisitions that can bring complementary technologies to Johnson Electric and strengthen our position in key markets. Management intends to remain prudent in its assessment of acquisition opportunities and will only pursue situations where the prospects for long-term value-add are clear and the valuation of the business is not excessive.

Dividends

The Board has previously stated its intention to increase gradually the ratio of interim dividends such that it represents approximately one-third of the prior financial year's total dividends paid. The interim dividend paid in January 2015 was consequently increased by 17% to 14 HK Cents per share. For the final dividend, the Board is recommending 34 HK Cents per share (FY2013/14: 34 HK Cents per share). Subject to the performance of the Group in the first half of the 2015/16 financial year and taking into account its overall financial condition and prospects at the time, the Board intends to give consideration to a further increase in the 2015/16 interim dividend.

Chairman's Comments on Outlook

Commenting on the outlook for the business, Patrick Wang, Chairman and Chief Executive, said, "In recent months the gradual recovery of the global economy since the 2008-09 financial crisis has shown signs of faltering as a result of a combination of factors including the collapse in oil prices, the depreciation of the Euro, a slowdown in China, and the overhang of excessive debt levels."

"Although any prospective setback in the global economy is a concern to all industrial manufacturers, we have not observed any noticeable softening in demand for Johnson Electric's products at the present time. On the contrary, both of our core operating divisions continue to win important new programmes based on their differentiated technology and global manufacturing capabilities. In the case of automotive components, such programmes typically take two to three years to reach full production volume and consequently the impact on sales will not be felt in the near term. In the current 2015/16 financial year, the weak Euro compared to the US Dollar appears likely to constrain sales growth on translation to the low single digits in percentage terms."

“On the cost side, wage inflation in China remains an ever-present headwind and will need to be offset by further efficiency improvement measures, including greater investment in automation. The build-out of our new manufacturing facilities in Serbia and Mexico will also mean an additional cost burden before they are operating at optimal volume levels. As a consequence, we anticipate modest erosion in gross and operating margins in the current financial year such that it will be difficult for the Group to repeat the record net income level of the past year.”

“Overall, I remain very satisfied with the performance of the business and confident that we remain on track to build and sustain value for shareholders over time.”

* * * *

About Johnson Electric Group

The Johnson Electric Group is a global leader in motion subsystems. It serves a broad range of industries including automotive, building automation and security, business machines, 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 close to 36,000 across 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.

For more information, please contact:

CT Hew, Hew & Associates
Tel : (852) 2522 7928
Mobile: (852) 9132 8828
Email : ct.hew@hewassociates.com

Vivian Zhao, Hew & Associates
Tel : (852) 2522 7928
Mobile : (852) 6571 1208
Email : vivian.zhao@hewassociates.com

JOHNSON ELECTRIC HOLDINGS LIMITED
CONSOLIDATED INCOME STATEMENT

	For the year ended 31st March		
	2015	2014	
	US\$M	US\$M	% change
Sales	2,136.1	2,097.6	2%
Cost of goods sold	(1,503.7)	(1,478.7)	
Gross profit	632.4	618.9	2%
Other income and gains, net	17.9	19.8	
Selling and administrative expenses	(407.5)	(405.2)	
Operating profit	242.8	233.5	4%
Finance income and costs, net	5.5	9.1	
Share of profit of associate	0.7	0.4	
Profit before income tax	249.0	243.0	2%
Income tax expense	(29.2)	(28.1)	
Profit for the year	219.8	214.9	
Deduct: Non-controlling interests	(8.9)	(7.0)	
Profit attributable to shareholders	210.9	207.9	1%
Basic earnings per share (in US Cents)	24.11	23.40	3%
Diluted earnings per share (in US Cents)	23.60	23.25	2%

Note to Editors and Securities Analysts: The full text of the Annual Results announcement, including additional financial information, is available through the Investor Relations section of Johnson Electric's website at www.johnsonelectric.com.