

NEWS RELEASE

Johnson Electric reports stable profits and 17% interim dividend increase for the half year ended 30th September 2014

Highlights of 2014/15 Interim Results

- For the six months ended 30th September 2014, total sales amounted to US\$1,080 million – up 4% compared to the first half of the prior financial year
- Gross profit margin increased to 30.2% from 29.6%
- EBITDA US\$171.8 million, compared to US\$170.5 million previously
- Operating margin declined from 12.1% to 11.6% reflecting, in part, higher costs associated with the expansion of the Group’s manufacturing footprint
- Net profit attributable to shareholders essentially flat at US\$109.3 million or 12.1 US cents per share on a fully diluted basis
- Debt to total capital ratio of 14% and cash reserves of US\$810 million as at 30th September 2014
- Interim dividend increased by 17% to 14 HK cents per share (1.79 US cents per share)

HONG KONG, 4th November 2014 – Johnson Electric Holdings Limited (“Johnson Electric”), a global leader in motion subsystems, today announced its results for the six months ended 30th September 2014.

Group sales for the first half of the 2014/15 financial year totaled US\$1,080 million, an increase of 4% over the first half of the prior financial year. Net profit attributable to shareholders was essentially flat compared to the prior year period at US\$109.3 million or 12.1 US cents per share.

Johnson Electric is currently making significant investments in expanding its global operations and

supporting infrastructure to meet increased demand. As previously forecast, this is resulting in somewhat higher overheads and other expenses in the short term as new plants go through their normal fitting out and ramp-up phases prior to full production.

The Automotive Products Group (“APG”), which contributed over two-thirds of total sales, continued to perform well – both in terms of near term financial results and in the booking of significant new business that will drive further growth over the next several years. Excluding foreign exchange rate effects, APG grew sales by 5% compared to the first half of the prior year. Particularly strong performances were recorded by the Engine & Transmission and the Powertrain Cooling business units which provide market leading technologies that improve fuel economy and reduce fuel emissions. Partly offsetting these gains, the Body Comfort and Actuator Systems business units recorded slightly lower and flat sales respectively, as a result of the end of certain programmes in North America.

On a regional basis, APG performed strongest in Asia and Europe. China’s passenger car market, the world’s largest, continues to grow at mid to high single digit percentage rates and Johnson Electric’s sales growth in the first half comfortably exceeded that of the overall market. In Europe, the automotive industry has made some gradual steps towards recovering from the two-decade low it reached in 2013, but market sentiment remains weak due to the subdued state of the Euro-zone economies and rising political tensions with Russia. Nonetheless, Johnson Electric achieved healthy growth in this region as a result of our innovative product offerings and strong position in the luxury vehicle segment which remains relatively vibrant due to exports to North America, China and other developing markets. North America is APG’s smallest end market in terms of direct sales, but with the establishment of our Mexico manufacturing facilities we are seeing a major opportunity for the Group to grow its presence in the region.

The Industry Products Group (“IPG”) achieved a 2% increase in sales in constant currency terms during the period. This was in contrast to the 7% decline in sales it recorded at the same stage last year and signals an important turning point for the division. As has been reported previously, IPG has undergone a transformation of its go-to-market strategy to focus on providing innovative subsystem solutions to customers and reduce its exposure to lower end product applications.

The strong first half sales performances from the Johnson Medtech, Solenoid Actuators and Parlex business units, in particular, are illustrative of this positive shift in the trajectory of the division. Each of these business units has successfully brought to market innovative new products with differentiated technology that deliver unique solutions to customer problems. Examples include a motorised drive system for a disposable surgical endostapler produced by one of world’s leading medical device companies; a patented relay that enables utility companies to remotely disconnect electricity meters; and customised flexible circuits that have unique anti-tamper security features to protect point-of-sale terminals.

While the recent performance of IPG is encouraging, market conditions remain challenging for certain consumer-oriented motor applications. Management is therefore determined to continue the repositioning of the division to bolster its long term prospects. This will involve changes to the existing business unit structure to align key engineering and business development resources with selected market segments where Johnson Electric has technology advantages and the market dynamics are favourable for profitable growth.

Regarding operating costs and overall profitability, the first six months of the financial year were broadly in line with budget expectations. Volume and product mix changes, ongoing manufacturing efficiency initiatives and subdued commodity prices were positive factors during the period and helped to increase gross margins from 29.6% to 30.2%. On the other hand, an increase in wage rates in China, further investments to improve business systems, and costs associated with the start-up and expansion of the Group's operations in Serbia, Mexico and India combined to slightly reduce operating and net profit margins. Total profit attributable to shareholders amounted to US\$109.3 million (10.1% of sales) compared to US\$110.0 million (10.6% of sales) in the prior year period.

Johnson Electric maintained its robust financial condition with a total debt to capital ratio of 14% and cash reserves as of 30th September 2014 standing at US\$810 million.

Interim Dividend

The Directors have today declared a 17% increase in the interim dividend to 14 HK cents per share, equivalent to 1.79 US cents per share (2013 interim: 12 HK cents per share when adjusted to reflect the 1 for 4 share consolidation). The interim dividend is payable on 6th January 2015 to shareholders registered on 23rd December 2014.

Chairman's Comments on Results and Outlook

Commenting on the first half results, Patrick Wang, Chairman and Chief Executive, said, "Johnson Electric achieved satisfactory results during the six month period ended 30th September 2014. Against a backdrop of generally lacklustre economic conditions in many of the Group's major markets, encouraging progress was made in winning new customer programmes and in strengthening our manufacturing footprint globally."

Discussing the Group's prospects, he said: "The mixed and uncertain macro-economic environment makes the near-term financial outlook difficult to gauge with any degree of precision – especially given the recent weakening of Germany's manufacturing sector and ongoing political upheavals in

several parts of the world.”

“Current trading levels are broadly similar to the first half of the financial year, although seasonal factors and the weaker Euro to US Dollar exchange rate will act to place a constraint on sales in the second half. In addition, as new facilities in Serbia and Mexico begin to ramp up towards full production, operating costs as a proportion of sales in these operations will be higher than normal. Consequently, I believe it is realistic to expect operating margins and net profits for the 2014/15 financial year to be slightly lower than the high levels achieved in 2013/14.”

“On a two to three year time horizon, I am highly optimistic that Johnson Electric is on a healthy growth trajectory based on a strong order book of new business secured by our Automotive Products Group and the gradually improving competitive position of our Industry Products Group.”

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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 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 six month period ended 30th September 2014. [The full text of the Interim 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 six months ended 30th September

	2014 US\$M	2013 US\$M	% change
Sales	1,079.6	1,035.2	+4%
Cost of goods sold	(753.6)	(728.6)	
Gross profit	326.0	306.6	+6%
Other income and gains, net	7.5	4.4	
Selling and administrative expenses	(208.5)	(185.5)	
Operating profit	125.0	125.5	0%
Net interest income	3.2	3.8	
Share of profit of associate	0.4	0.1	
Profit before income tax	128.6	129.4	-1%
Income tax expense	(15.0)	(16.4)	
Profit for the period	113.6	113.0	
Non-controlling interests	(4.3)	(3.0)	
Profit attributable to shareholders	109.3	110.0	-1%
Basic earnings per share (in US cents)	12.36	12.39	0%
Diluted earnings per share (in US cents)	12.12	12.31	-2%

Note: The full text of the Interim Results announcement including the Chairman's Letter to Shareholders is available through the Company's website at www.johnsonelectric.com.