NEWS RELEASE

Johnson Electric reports results for the half year ended 30 September 2019

Highlights of 2019/20 Half-Year Results

- Group sales US$1,565 million – down 7% compared to first half of the prior financial year. Excluding the impact of foreign exchange rate changes, sales decreased by 4%
- Gross profit US$357 million or 22.8% of sales (compared to US$398 million or 23.8% of sales in prior half year)
- Net profit attributable to shareholders increased by 16% to US$162 million or 18.44 US cents per share on a fully diluted basis
- Underlying net profit, excluding the net impact of significant non-cash and divested items, decreased by 16% to US$106 million
- Free cash inflow from operations US$83 million (compared to an outflow of US$3 million in prior half year)
- Total debt to capital ratio of 16% and cash reserves of US$232 million as of 30 September 2019
- Interim dividend 17 HK cents per share (2.18 US cents per share) with a scrip dividend alternative

HONG KONG, 6 November 2019 – Johnson Electric Holdings Limited (“Johnson Electric”), a global leader in electric motors and motion subsystems, today announced its results for the six months ended 30 September 2019.

Total Group sales for the first half of FY19/20 totalled US$1,565 million, a decrease of 7% over the first half of the prior financial year. Excluding the impact of foreign exchange rate changes, underlying sales decreased by 4%. Net profit attributable to shareholders increased by 16% to US$162 million or 18.44 US cents per share on a fully diluted basis. Underlying net profit, after adjusting for the effects of a number of significant non-cash and divested items, decreased by 16% to US$106 million.

Global manufacturing is experiencing its sharpest and most geographically widespread downturn since 2012. In this challenging operating environment, Johnson Electric is continuing to make positive progress across a range of key strategic initiatives aimed at further strengthening its competitive position and its ability to adapt to what have become increasingly unstable and unpredictable conditions for global trade.

Overview of Financial Results

The Automotive Products Group (“APG”), which accounted for 79% of total Group sales, reported a 1% decrease in sales on a constant currency basis compared to the first half of the prior year. The strongest business unit performances came from Engine and Transmission Management, Actuation Systems and Stackpole International, which each benefited from a number of new programme launches and sustained demand for advanced technology solutions that help to reduce emissions and enable electrification.

APG’s modest decline in sales revenue should be set against a sharp contraction in automotive industry production volumes during the period under review. Global light vehicle production declined by 6%, with all major geographic regions experiencing falls in output. Most significant was the 13% decline in the China market, which has been the industry’s largest source of demand growth for the past two decades. The current slowdown in the overall Chinese economy includes the effect of escalating trade tensions with the United States which has increased uncertainty and weakened consumer confidence. Subdued macroeconomic activity has had a similar effect on the car industry in Europe where production decreased by 4%. Even in North America, which has been a comparative bright spot in terms of jobs growth and consumer spending for much of 2019, light vehicle production declined by 2%.

The Industry Products Group (“IPG”), which contributed 21% of total Group sales, recorded a 14% decline in sales in constant currency terms in the first half. A combination of factors contributed to this disappointing performance. These included depressed demand across a number of end markets due to the US-China trade dispute and some customer-specific programme delays or cancellations. The division has continued to deliver growth in several product applications, such as ventilation, vital signs monitoring and semiconductor equipment; and the evolution of its product mix towards higher value-adding technology has maintained gross margins. Nonetheless, it is proving difficult to make progress against the downturn in global manufacturing activity for IPG in the near term.

Gross profit decreased by 10% to US$357 million – which as a percentage of sales represented a decline from 23.8% to 22.8%. The year-on-year decrease in margins reflected the combination of lower sales volumes, increased depreciation and pricing pressure. However, comparing the second half of FY18/19 to the first half of FY19/20, gross profit margins improved by 0.8%. The beginnings of this turnaround in the trajectory of the Group’s gross margin is primarily due to reduced material costs and lower direct labour expenses.

Group operating profits amounted to US$192 million compared to US$171 million in the first half of the prior financial year. The improvement in reported operating income and in net profit attributable to shareholders was primarily due to a substantial increase in the net contribution from Other Income and Expenses, which itself comprised of a number of positive and negative non-cash items. This included a US$41 million fair value gain, after deducting transaction costs and other adjustments, related to an investment property in Hong Kong that was divested in October 2019.

Interim Dividend

The Board has today declared an interim dividend of 17 HK cents per share, equivalent to

2.18 US cents per share (2018 interim: 17 HK cents per share). The interim dividend will be payable in cash with a scrip alternative where a 4% discount on the subscription price will be offered to shareholders who elect to subscribe for shares. Full details of the scrip dividend alternative will be set out in a circular to shareholders.

The interim dividend will be payable on 3 January 2020 to shareholders registered on 27 November 2019.

Adapting to the Changing Operating Environment

Although there have been recent indications that the United States and China may reach some form of interim settlement of their trade dispute, the prospects for this much needed de-escalation remain far from certain. It has also become increasingly apparent that the strategic rivalry between the two superpowers is now deeply entrenched in geopolitics and is likely to continue to shape global trade and economic affairs for the foreseeable future.

The direct impact of US tariffs on Johnson Electric's business to date has been relatively limited. Based on current sales volumes and the status of specific tariffs in force, US tariffs are being paid on less than 2% of the Group's total sales. As the trade dispute has intensified, however, the indirect effects are becoming more apparent. End-market demand in a number of industries has weakened due to lower consumer confidence and many economists have linked the scaling back or cancellation of new capital investments to the unstable state of global trade relations. It is also evident that some purchasing managers, who may initially have anticipated the trade dispute to be temporary, are now looking to diversify their supply base and reduce their reliance on China.

Johnson Electric is better positioned than many global component manufacturers to cope with these conditions. Our sources of end demand are broadly divided between Asia, Europe and the Americas; and our manufacturing footprint already extends to over 30 plants in 18 countries. Nonetheless, these challenges are requiring management to give careful consideration to how we will configure our production assets to operate in a world that is less favourable to the interwoven global supply chains that have emerged over the past several decades.

At the same time as ensuring that we have a robust and adaptable manufacturing model, the Group is focused on executing a set of strategies that will strengthen and sustain the business through this difficult period in the economic cycle. Firstly, we are continuing to invest in product innovations that solve our customers' most critical motion and electromechanical-related problems – with a particular emphasis on solutions that help to reduce emissions, improve energy efficiency and increase controllability. Secondly, we are progressively increasing advanced automation in our production processes and adopting the latest digital technology to reduce defects and improve customer responsiveness. Thirdly, we are continuing to explore opportunities to make selective acquisitions where we see potential to strengthen the Group's capabilities and improve its longer-term growth prospects.

Chairman's Comments on the Half-Year Results and Outlook

Commenting on the results, Dr. Patrick Wang, Chairman and Chief Executive, said, "Johnson Electric performed satisfactorily in the six month period ended 30 September 2019 in the face of difficult macroeconomic and industry conditions".

Dr. Wang further commented, "The near term outlook for the global economy, especially in the manufacturing sector, remains subdued with most observers perceiving more downside risk. In Johnson Electric's case, overall sales volumes have shown a modestly improved run-rate in the past three months especially in our automotive components division. If this trend continues, we are cautiously optimistic that sales in the second half of the financial year will exceed that of the first half – with the result that full year total group sales will be only slightly below that of the prior year".

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About Johnson Electric Group

The Johnson Electric Group is a global leader in electric motors, actuators, motion subsystems and related electro-mechanical components. It serves a broad range of industries including Automotive, Smart Metering, Medical Devices, Business Equipment, Home Automation, Ventilation, White Goods, Power Tools, and Lawn & Garden Equipment. The Group is headquartered in Hong Kong and employs over 37,000 individuals in more than 23 countries worldwide. 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.

Forward Looking Statements

This news release contains certain forward looking statements with respect to the financial condition, results of operations and business of Johnson Electric and certain plans and objectives of the management of Johnson Electric.

Words such as "outlook", "expects", "anticipates", "intends", "plans", "believe", "estimates", "projects", variations of such words and similar expressions are intended to identify such forward-looking statements. Such forward looking statements involve known and unknown risk, uncertainties and other factors which may cause the actual results or performance of Johnson Electric to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding Johnson Electric's present and future business strategies and the political and economic environment in which Johnson Electric will operate in the future.

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