

JOHNSON ELECTRIC HOLDINGS LIMITED

FY2016/17

Interim Results

January 2017



innovating motion

Group Overview

Key Financial Highlights

Operational Results

Acquired Businesses

Strategy & Outlook

Appendix

FY2016/17 December Quarter

JOHNSON ELECTRIC GROUP OVERVIEW

Johnson Electric is the global leader in custom designed motion subsystems, including motors, solenoids, switches and flexible interconnects. We serve a broad range of industry segments 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 equipments and power tools.

Established in 1959, Johnson Electric designs and produces custom motion solutions throughout the world for use in a broad range of product applications. Innovation centers are located in Hong Kong, China, Switzerland, Germany, Italy, Israel, France, Canada, UK and USA. Total global headcount including contract staff stands at approximately 38,000 people.

The annual production capacity are over one billion motor and actuators and manufactures products in more than a dozen countries on four continents.

Johnson Electric has been listed on The Stock Exchange of Hong Kong Limited since 1984.

COMPANY VISION AND BRAND PROMISE



Company Vision

To be the world's definitive provider of innovative and reliable motion systems

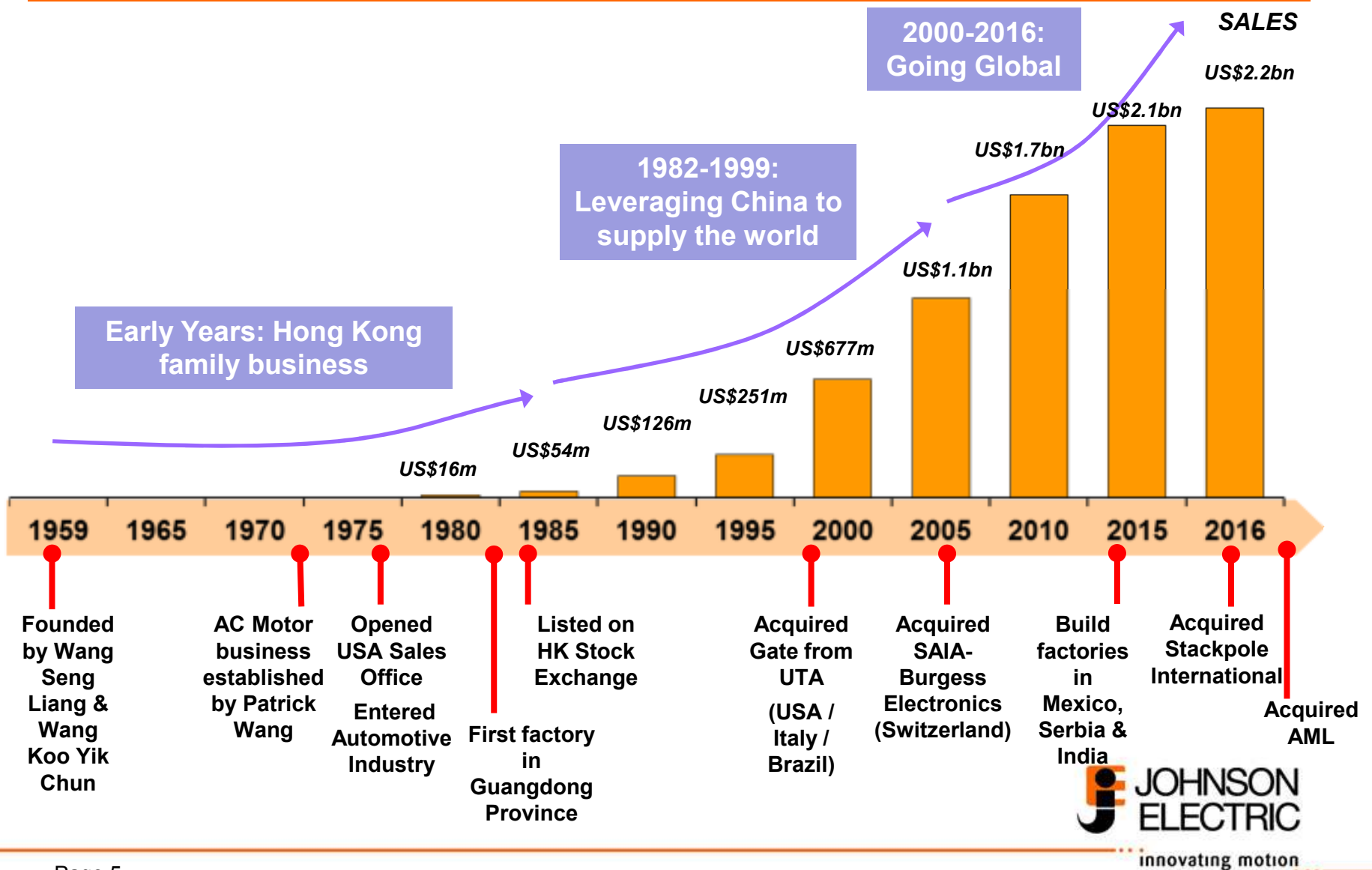
Brand Promise

“Technology Leadership”

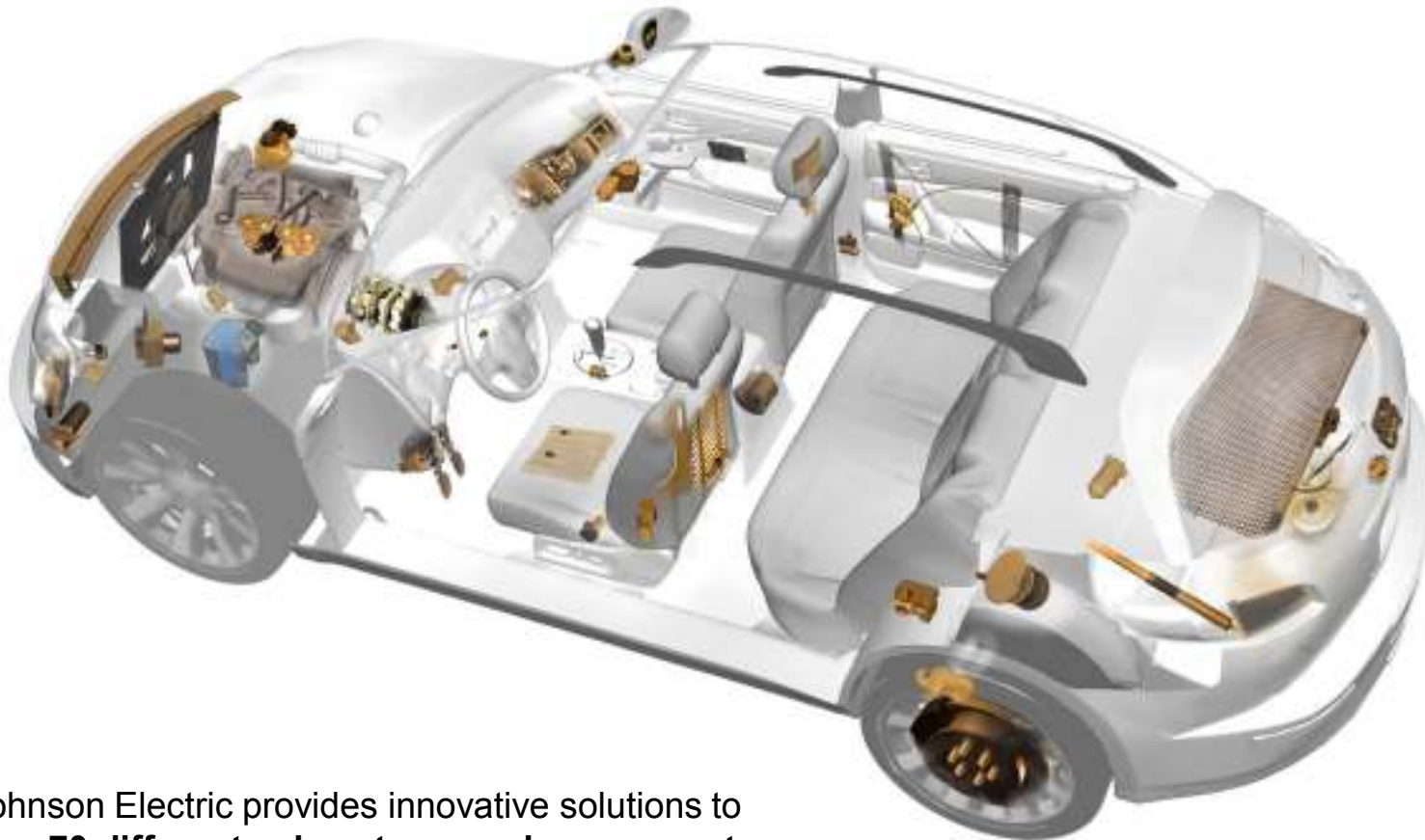
“The Safe Choice”



KEY MILESTONES 1959 – 2016



APG APPLICATIONS



Johnson Electric provides innovative solutions to over **70 different subsystems and component applications** inside the latest passenger vehicles

IPG APPLICATIONS



Medical Devices



Smart Meters



Circuit Breakers



Lawn & Garden



Power Tools

Personal Care



Power Sports



HVAC



Building Automation



Business Machines



Digital Security



Home Technologies



Food & Beverages



Industrial Equipment



Special Vehicles



Optronics

HIGHLIGHTS

- ✓ **Group sales** US\$1,367 million – **up 34%** compared to the first half of the prior financial year. **Excluding the impact of acquisitions and foreign exchange rate changes, sales increased by 6%**
- ✓ **EBITDA** as reported **increased 38%** to US\$225 million or **16.5% of sales** (16.0% in prior year)
- ✓ **Operating profit increased 29%** to US\$148 million or **10.8% of sales** (11.2% in prior year)
- ✓ **Net profit attributable to shareholders up 23%** to US\$121 million or **13.69 US cents per share** on a fully diluted basis
- ✓ **Debt to total capital ratio of 20%** and cash reserves of US\$131 million as of 30 September 2016
- ✓ **Interim dividend increased by 7%** to 16 HK cents per share (2.05 US cents per share)
- ✓ Acquisition of AML Systems completed on 18 May 2016

Group Overview

Key Financial Highlights

Operational Results

Acquired Businesses

Strategy & Outlook

Appendix

FY2016/17 December Quarter

FINANCIAL HIGHLIGHTS

<i>US\$ million</i>	First half of FY2016/17 ¹	First half of FY2015/16
Sales	1,366.8	1,022.4
Gross profit	366.4	282.3
<i>Gross margin</i>	26.8%	27.6%
Profit attributable to shareholders	120.8	97.8
Diluted earnings per share (US cents)	13.69	11.12
EBITDA (excluding nonrecurring item ²)	233.7	163.2
<i>EBITDA margin</i>	17.1%	16.0%
Free cash flow from operations ³	32.5	16.6
<i>US\$ million</i>	30 Sep 2016	31 Mar 2016
Cash	130.8	193.3
Total debt ⁴	476.0	422.5
Net debt (total debt less cash)	345.2	229.2
Enterprise value ⁵	2,570.7	2,914.7
EBITDA annualised using the last 12 months results ⁶	417.4	369.6
Enterprise value to EBITDA ⁶	6.2	7.9
Credit Quality - Financial Ratios	30 Sep 2016	31 Mar 2016
Total debt to EBITDA ⁶	1.1	1.1
Total debt to capital (total equity + total debt)	20%	18%

1. Includes 6 months' results of Stackpole International and 4.4 months of AML Systems
2. Nonrecurring item related to severance costs of US\$8.4 million
3. Net cash generated from operating activities plus net interest received, less capital expenditure (net of proceeds from disposal of fixed assets) and capitalisation of engineering development costs
4. Total debt calculated as bank overdraft plus borrowings and convertible bonds (debt elements)
5. Enterprise value calculated as market capitalisation plus non-controlling interests plus total debt less cash
6. EBITDA excluding nonrecurring items and adjusted to include the last 12 month's results of Stackpole International and AML Systems on a pro forma basis

Group Overview

Key Financial Highlights

Operational Results

Acquired Businesses

Strategy & Outlook

Appendix

FY2016/17 December Quarter

PROFITABILITY REVIEW

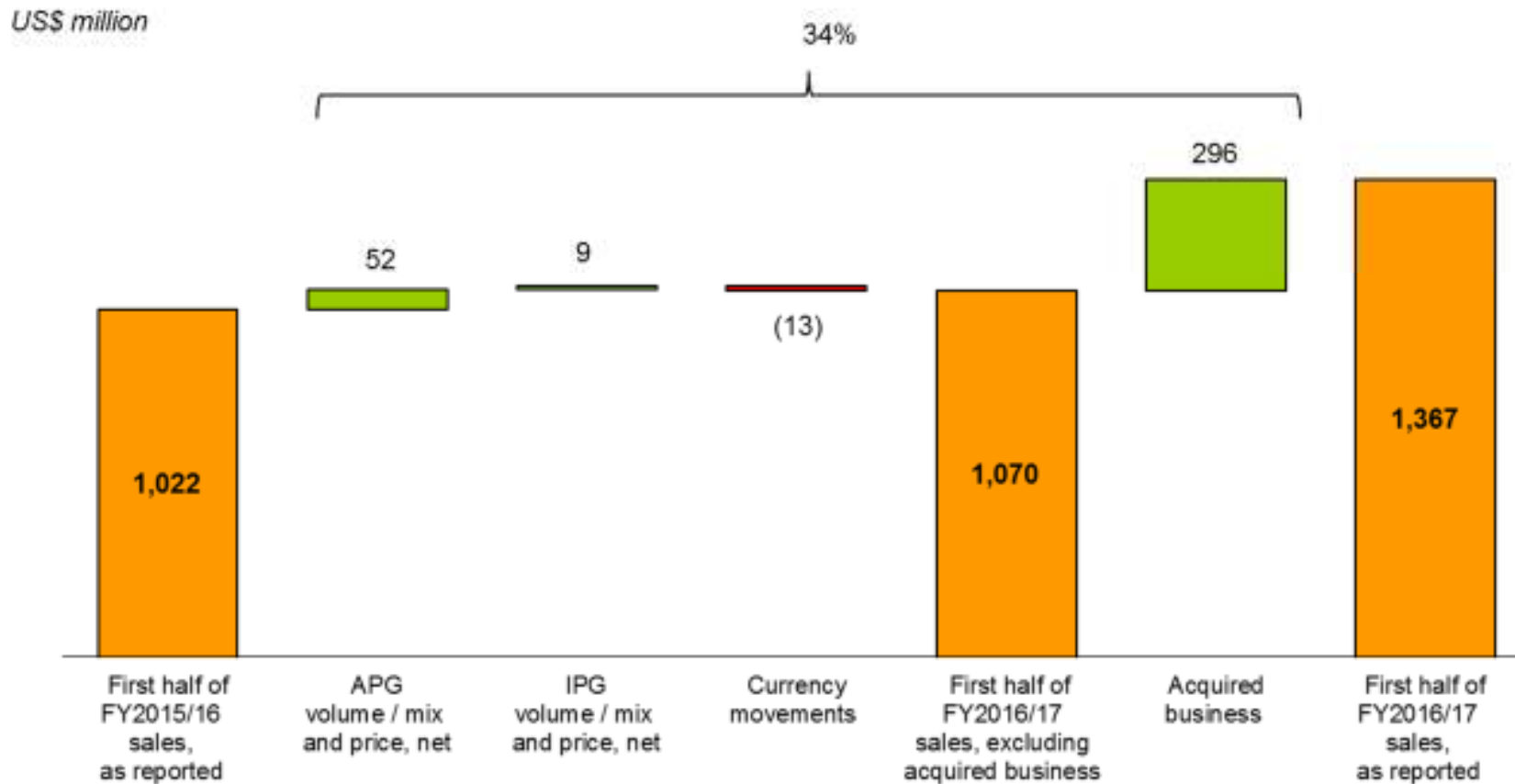
FY2016/17 vs. FY2015/16

<i>US\$ million</i>	First half of FY2016/17 ¹	First half of FY2015/16	Increase / (decrease) in profit
Sales	1,366.8	1,022.4	344.4
Gross profit	366.4	282.3	84.1
<i>Gross margin %</i>	26.8%	27.6%	
Other income and gains, net	9.7	14.0	(4.3)
Selling and administrative expenses ("S&A")	(228.4)	(181.4)	(47.0)
<i>S&A %</i>	16.7%	17.7%	
Operating profit	147.7	114.9	32.8
<i>Operating margin %</i>	10.8%	11.2%	
Share of profit of associates	2.0	0.5	1.5
Net interest expense	(5.5)	(0.3)	(5.2)
Profit before income tax	144.2	115.1	29.1
Income tax expense	(18.5)	(13.0)	(5.5)
<i>Effective tax rate</i>	12.9%	11.3%	
Profit for the period	125.7	102.1	23.6
Non-controlling interests	(4.9)	(4.3)	(0.6)
Profit attributable to shareholders	120.8	97.8	23.0

1. Includes 6 months' results of Stackpole International and 4.4 months of AML Systems

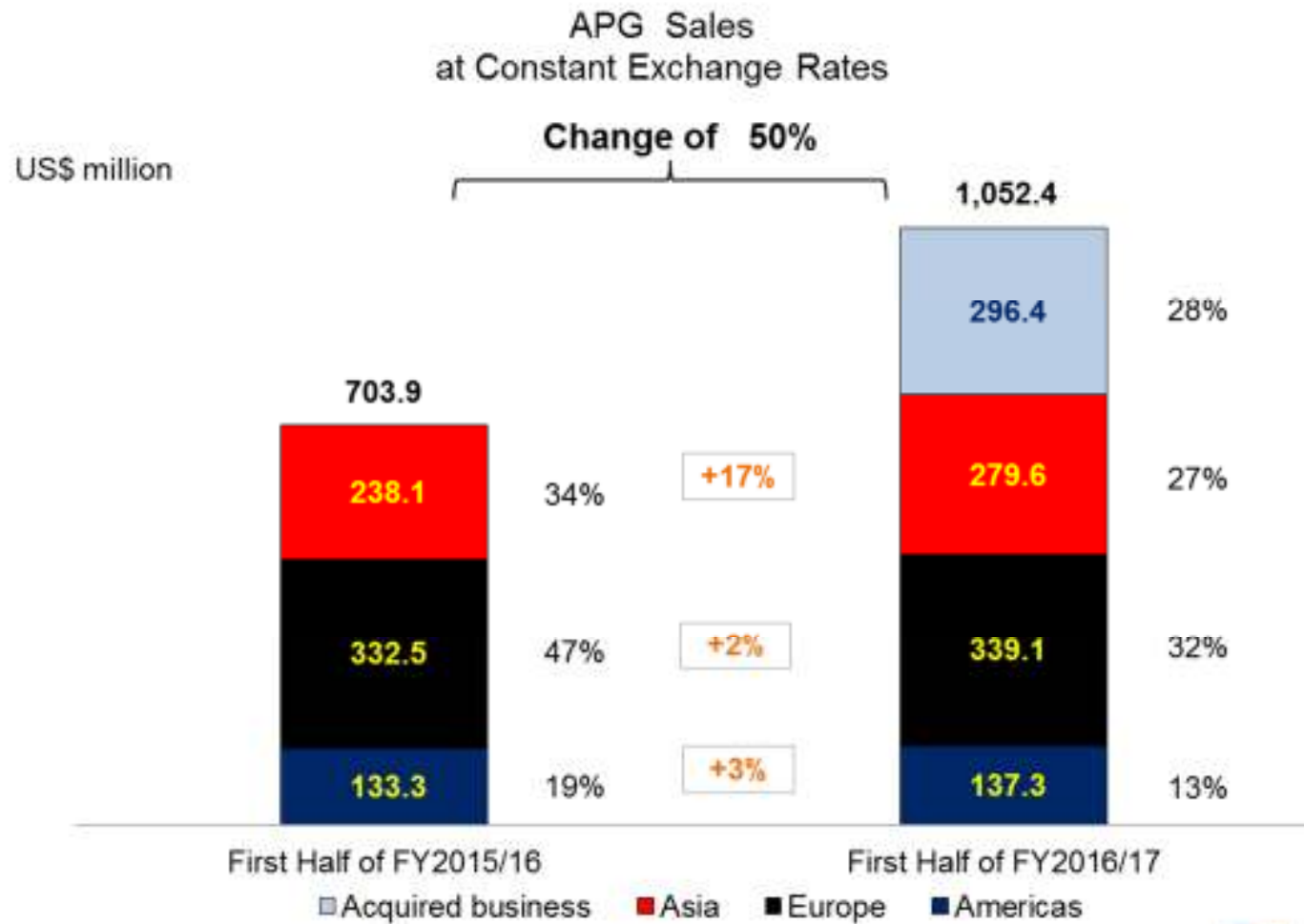
SALES MOVEMENTS

1H FY2016/17 vs. 1H FY2015/16



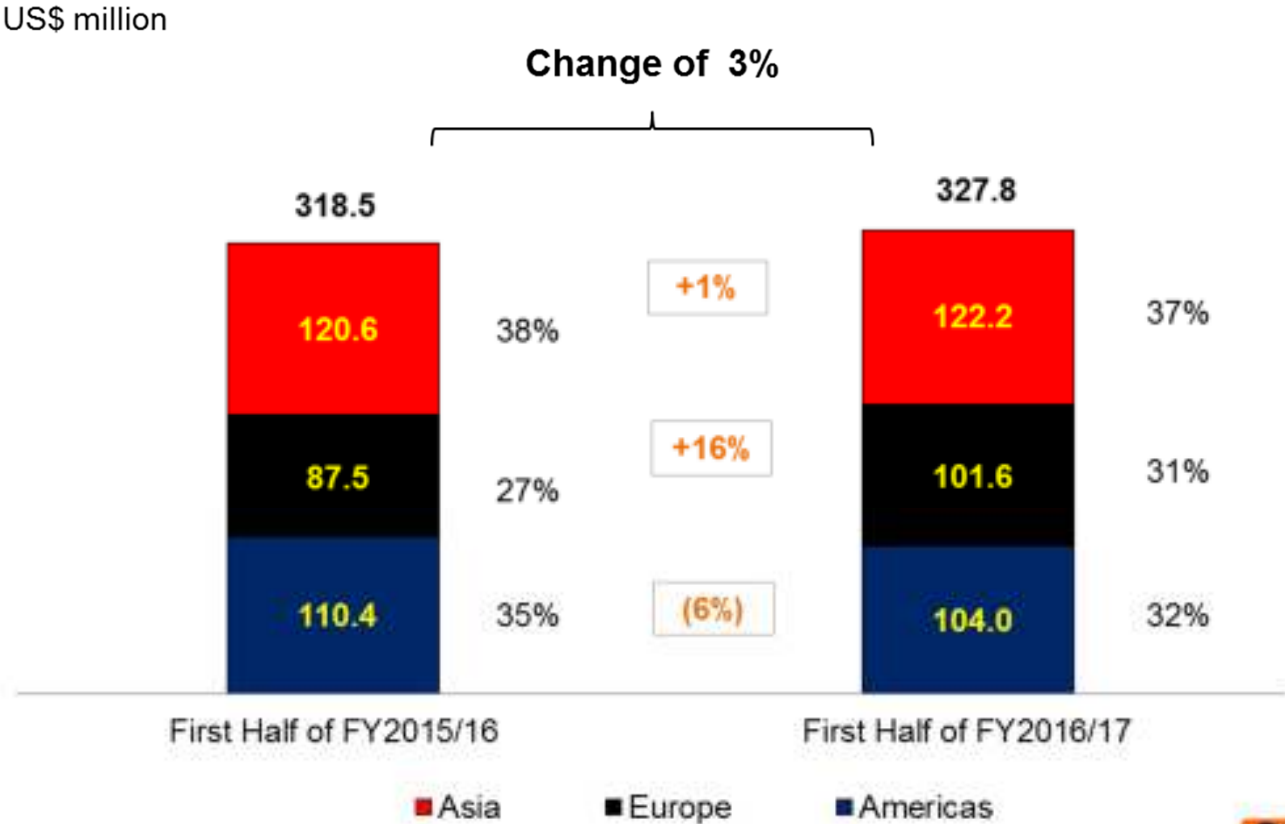
Note: Numbers do not add across due to the effect of rounding

GROUP SALES BY BUSINESS - APG



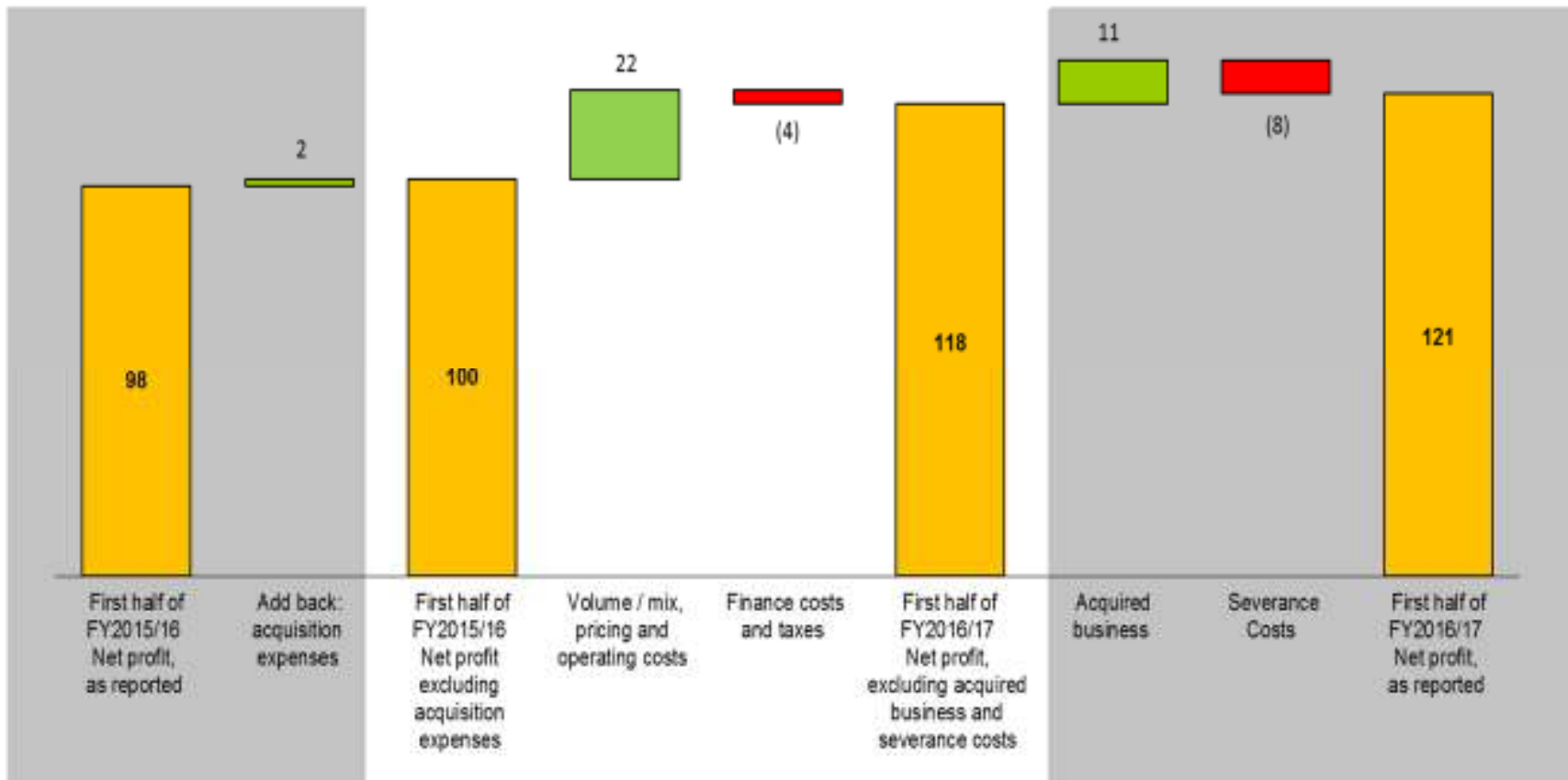
GROUP SALES BY BUSINESS - IPG

IPG Sales
at Constant Exchange Rates



CHANGES IN PROFIT ATTRIBUTABLE TO SHAREHOLDERS

US\$ million



ANALYSIS OF CASH FLOW

<i>US\$ million</i>	First half of FY2016/17 ¹	First half of FY2015/16	Change
Operating profit ²	148.4	114.9	33.5
Depreciation and amortisation	76.9	48.3	28.6
EBITDA	225.3	163.2	62.1
Other non-cash items and adjustments	5.2	(2.4)	7.6
Working capital changes	(39.6)	(60.8)	21.2
Interest paid	(3.2)	(1.7)	(1.5)
Income taxes paid	(18.9)	(20.6)	1.7
Capital expenditure, net of subsidies	(137.7)	(77.7)	(60.0)
Proceeds from disposal of fixed assets	4.2	15.1	(10.9)
Capitalisation of engineering development costs	(3.4)	(2.5)	(0.9)
Interest received	0.6	4.0	(3.4)
Free cash flow from operations	32.5	16.6	15.9

1. Includes 6 months' results of Stackpole International and 4.4 months of AML Systems
2. Operating profit as reported plus US\$0.8 million dividend received from associate for the first half of FY2016/17

OTHER CASH FLOWS

<i>US\$ million</i>	First half of FY2016/17 ¹	First half of FY2015/16	Change
Free cash flow from operations	32.5	16.6	15.9
Acquisitions and related costs	(87.6)	(2.0)	(85.6)
Acquisition of non-controlling interests	(19.3)	-	(19.3)
Dividends paid	(37.7)	(37.8)	0.1
Purchase of shares held for incentive share schemes	-	(21.6)	21.6
Other investing activities	0.2	(42.8)	43.0
Other financing activities	(0.9)	-	(0.9)
Borrowing proceeds / (repayments)	45.6	(9.1)	54.7
Decrease in cash (excluding currency movements)	(67.2)	(96.7)	29.5
Exchange (losses) / gains on cash	(1.8)	1.1	(2.9)
Net movement in cash and cash equivalent	(69.0)	(95.6)	26.6
Proceeds from bank overdrafts	6.5	-	6.5
Net movement in cash	(62.5)	(95.6)	33.1

1. Includes 6 months' results of Stackpole International and 4.4 months of AML Systems

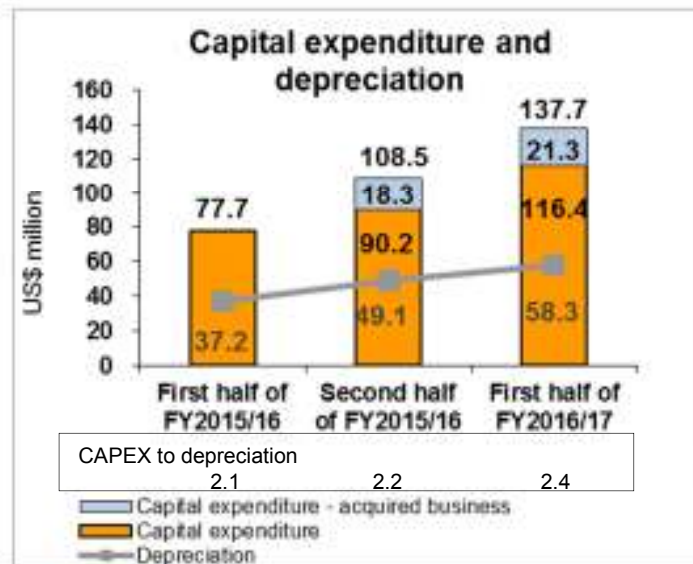
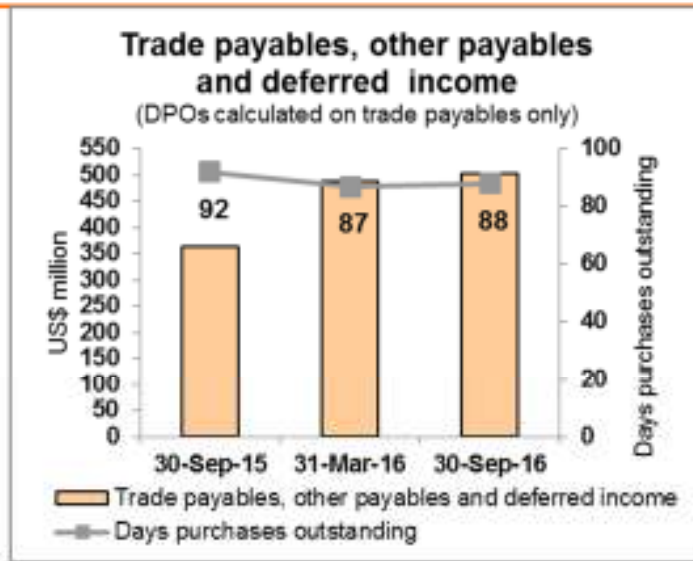
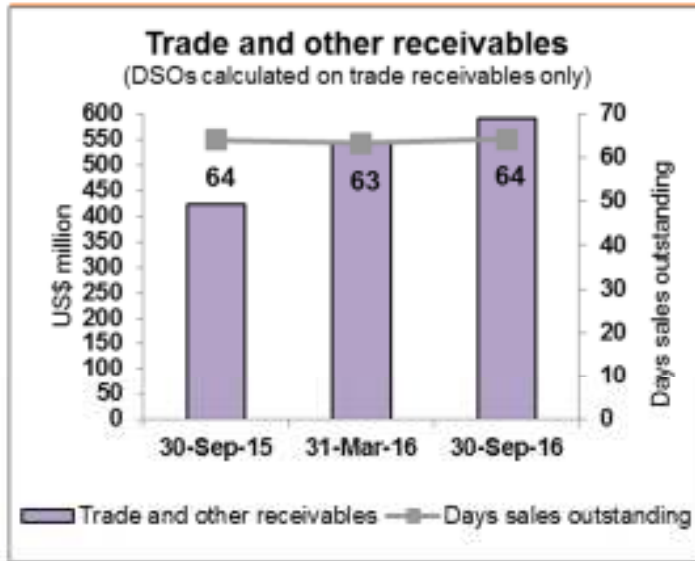
DIVIDENDS

- ▶ **Interim dividend increased** by 7% to 16 HK cents per share for FY2016/17 compared to 15 HK cents paid for FY2015/16
- ▶ Dividend History

	FY2016/17	FY2015/16	FY2014/15	FY2013/14	FY2012/13	FY2011/12	FY2010/11	FY2009/10
Dividend per share (HK cents)								
Interim dividend	16.0	15.0	14.0	12.0	12.0	12.0	12.0	-
Final dividend	TBD *	34.0	34.0	34.0	32.0	28.0	24.0	20.0
Total dividend per share		49.0	48.0	46.0	44.0	40.0	36.0	20.0

* TBD – To be determined

WORKING CAPITAL & CAPEX



Group Overview

Key Financial Highlights

Operational Results




Acquired Businesses

Strategy & Outlook

Appendix

FY2016/17 December Quarter

PRODUCTS & TECHNOLOGIES

Product Types	Diagrams	Drivers
<p>Headlamp Levelers</p>	 <p>(Static & Auto Static)</p> <p>(Dynamic)</p>	<p>Manual levelers for halogen & automatic levelers for Xenon / LED lamps are mandatory in EU / Japan / China / India</p>
<p>Smart Actuators</p>	 <p>(ADB Actuator)</p> <p>(Bi-function / Tri-function)</p>	<p>Adaptive lighting technology, an important means of differentiation in marketing cars (for both safety and styling reasons)</p>
<p>Headlamp Cleaning Systems</p>		<p>Mandatory in EU / China / India for light sources > 2K Lumen Also for harsh weather conditions</p>

STACKPOLE APPLICATIONS

Pumps



Engine Oil Pumps Transmission Oil Pumps Vacuum Pumps

Powder Metals



Carriers Clutch Components Gears & Sprockets

Key Products

Market Position

Stackpole's Differentiation

One of the leading oil pump manufacturer in North America and Europe

One of the leading powder metals manufacturer focusing in automotive industry of North America

- The pioneer of the fuel-efficient variable vane pump more than 20 years ago
- Over 25 million units installed globally, far in excess of any other supplier
- In-depth product know-how in noise, vibration and harshness, hydraulic and durability performance

- Proprietary technologies and processes that underpin a portfolio of highly complex, non-commoditised products
- Relied upon by customers for material process design and production capability
- Offers leading, value-added finishing capabilities

Group Overview

Key Financial Highlights

Operational Results

Acquired Businesses

Strategy & Outlook

Appendix

FY2016/17 December Quarter

STRATEGY AND OUTLOOK

- ▶ Develop and deliver technology solutions that meet the market's need for both value-adding innovation and end-product cost savings
 - APG
 - Achieves better fuel economy, lower emissions, and improved safety in cars.
 - New generation of hybrid and all electric vehicles needs a wide range of technically advanced motion subsystems that Johnson Electric is uniquely positioned to supply
 - IPG
 - Transitioned to only two groups with different business models aligned with customer segment characteristics
 - “Segment Solution Business” manages business development in key growth segments and at key customer accounts with high growth potential
 - “Segment Product Business” manages product sales at diversified, smaller customers with sustainable multi-year business demand
 - Continue to invest in building a global manufacturing footprint
 - Increased levels of automation
 - Significant capital expenditures and increases periods where capacity utilisation of new plants is below par in the near term
 - Re-doubling our efforts to reshape and resize our business

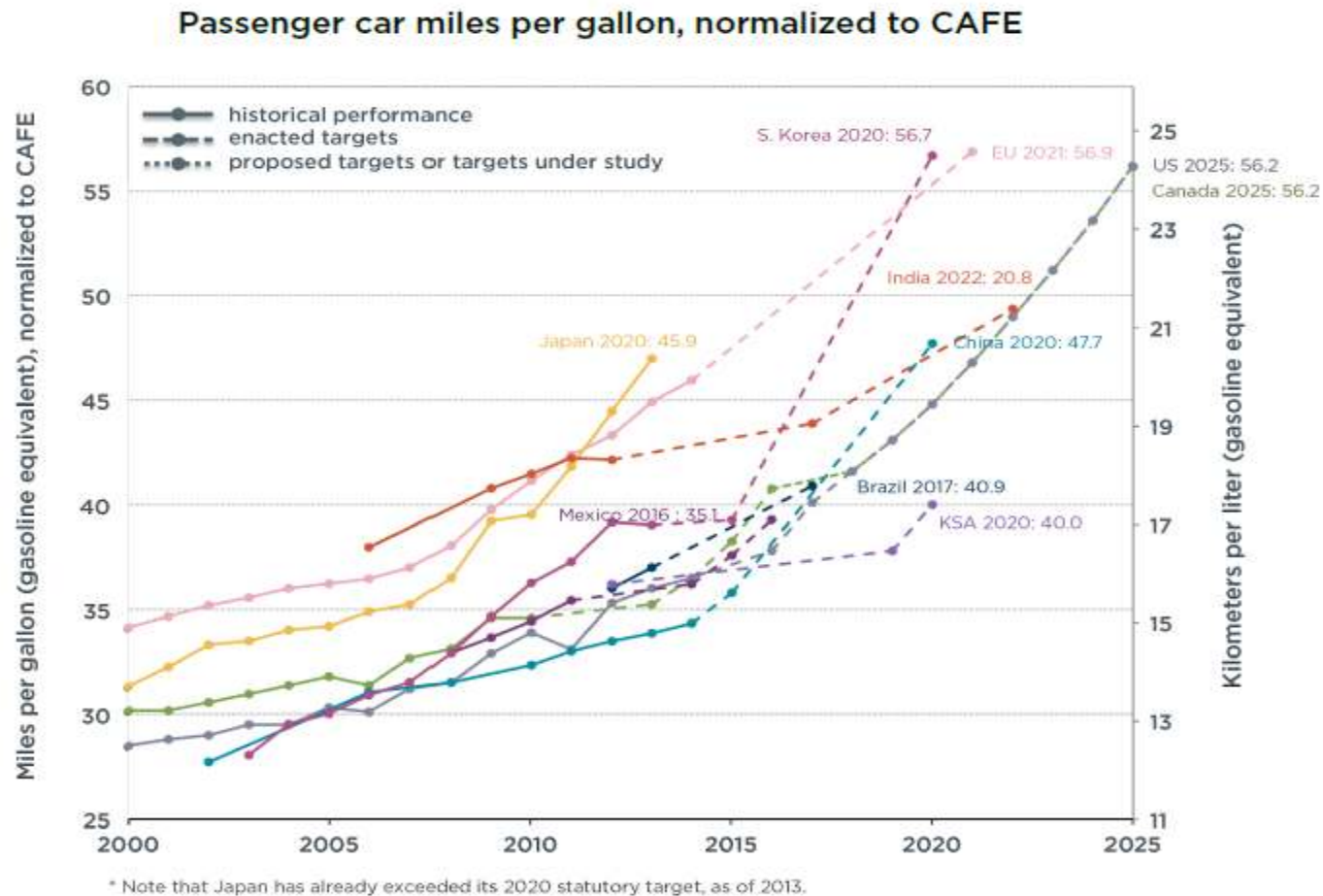
STRATEGY AND OUTLOOK

- ▶ M&A
 - Continue to pursue selective acquisitions to boost growth and strengthen our position in key target segments
 - Pursue a disciplined approach to acquisitions – exemplified by the recent acquisitions
 - Ensure purchase price is not excessive
 - Ensure prudent levels of financial gearing can be maintained

- ▶ Overall – we are optimistic that results for FY2016/17 will be a positive improvement over the prior year – but with financial performance in H2 likely to be somewhat below H1

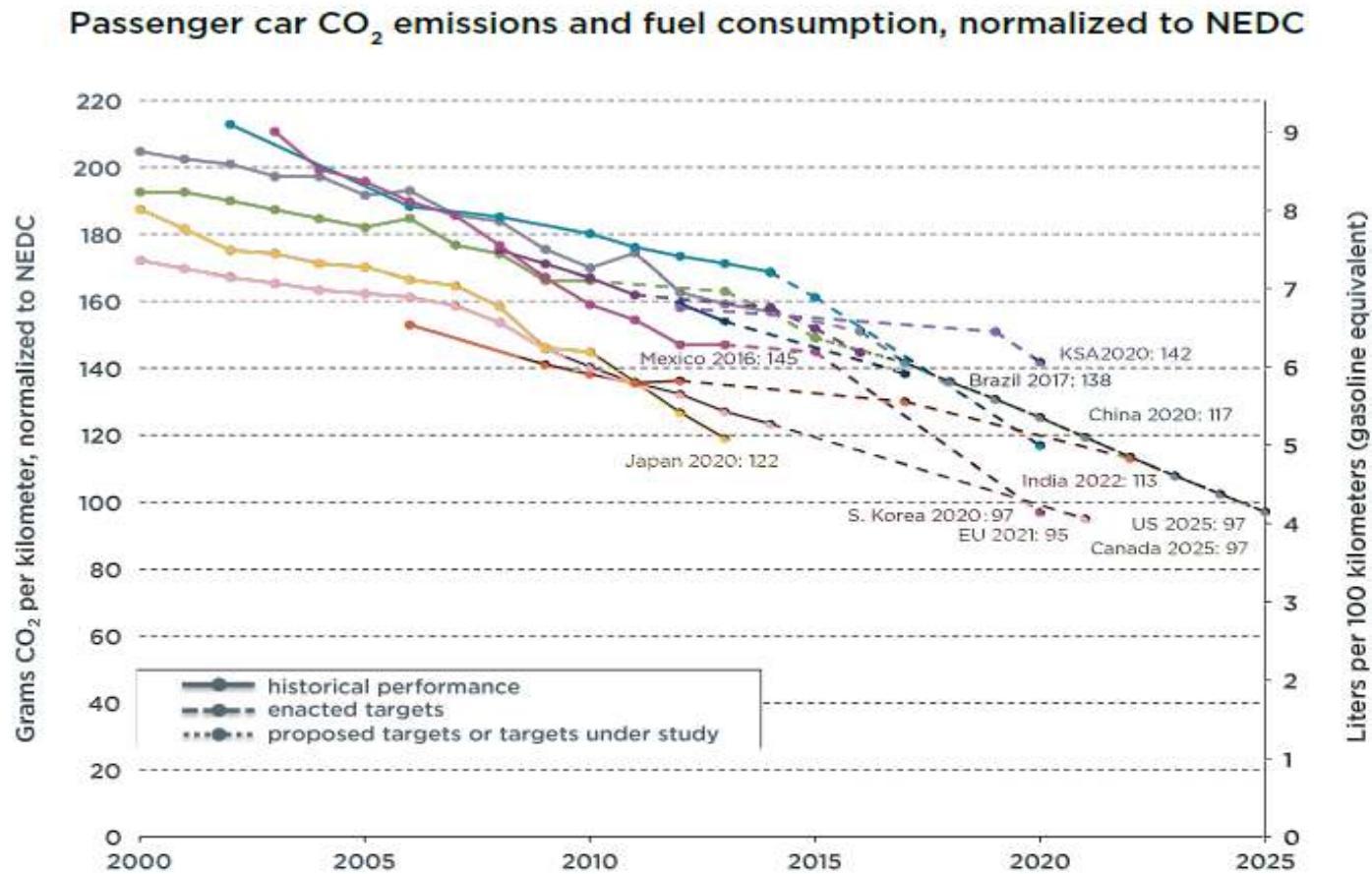
- ▶ Positive trajectory of H1 expected to continue during the remainder of FY2016/17, however
 - Seasonality - tend to see comparatively lower sales levels in H2
 - Projected slowdown in automotive industry sales volumes in both China and North America
 - Additional costs to reposition the Group's fixed cost base for the future

TRENDS IN AUTOMOTIVE – FUEL ECONOMY



Source: International Council on Clean Transportation - Sep 2015
<http://www.theicct.org/global-pv-standards-chart-library>

TRENDS IN AUTOMOTIVE – EMISSIONS



* Note that Japan has already exceeded its 2020 statutory target, as of 2013.

Source: International Council on Clean Transportation - Sep 2015
<http://www.theicct.org/global-pv-standards-chart-library>





CONTINUED ELECTRIFICATION - ICEs





Engine Electrification

Electronic Throttle Control EGR Valve






Electric Valvetrain Electric Turbo





Drivetrain Electrification

DCT/AMT Electric Oil Pump






AWD Disconnect




Advanced Cooling System (ACS)

Coolant Valve Cooling Fan Module






Electric Water Pump




Chassis Electrification

Electric Vacuum Pump Electric Power Steering





Braking (EPB/ABS)




Other

Exhaust Treatment (DEF Pump)



Fuel Pump







CONTINUED ELECTRIFICATION - HYBRIDS







Engine Electrification

Electronic Throttle Control	EGR Valve
	
Electric Valvetrain	Electric Turbo
	


Drivetrain Electrification

DCT/AMT	Electric Oil Pump
	
AWD Disconnect	Electric Parklock
	

Advanced Cooling System (ACS)

Coolant Valve	Cooling Fan Module
	
Electric Water Pump	Electric Air Pump
	

Chassis Electrification

Electric Vacuum Pump	Electric Power Steering
	
Braking (EPB/ABS)	E-Leveling
	

Other

Exhaust Treatment (DEF Pump)

Fuel Pump


CONTINUED ELECTRIFICATION – BATTERY EVs



Electric Powertrain

Traction Motor & Controller



Drivetrain Electrification

Gear Shifter



Electric Oil Pump



Electric Parklock



Advanced Cooling System (ACS)

Coolant Valve



Battery Cooling



Electric Water Pump



Electric Air Pump



Chassis Electrification

Electric Vacuum Pump



Electric Power Steering



Brake-by Wire

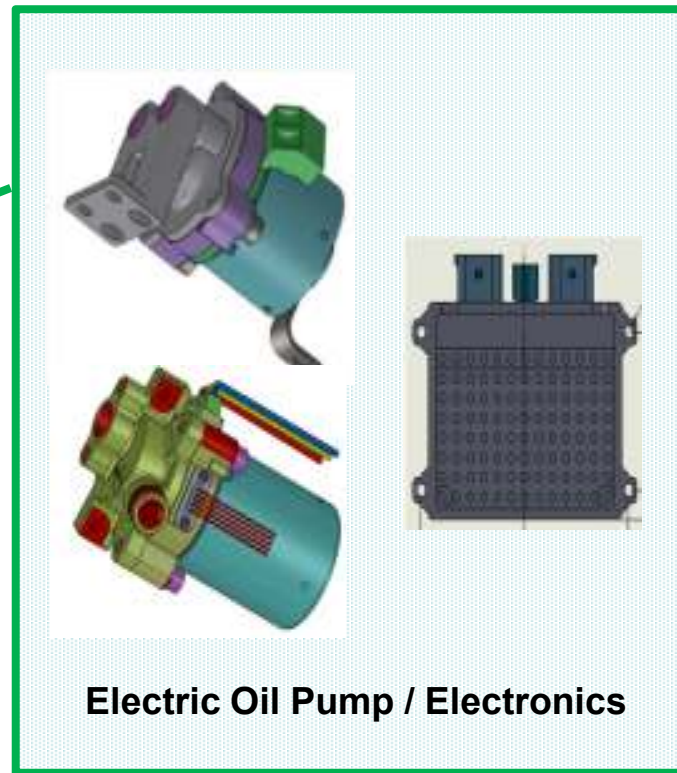
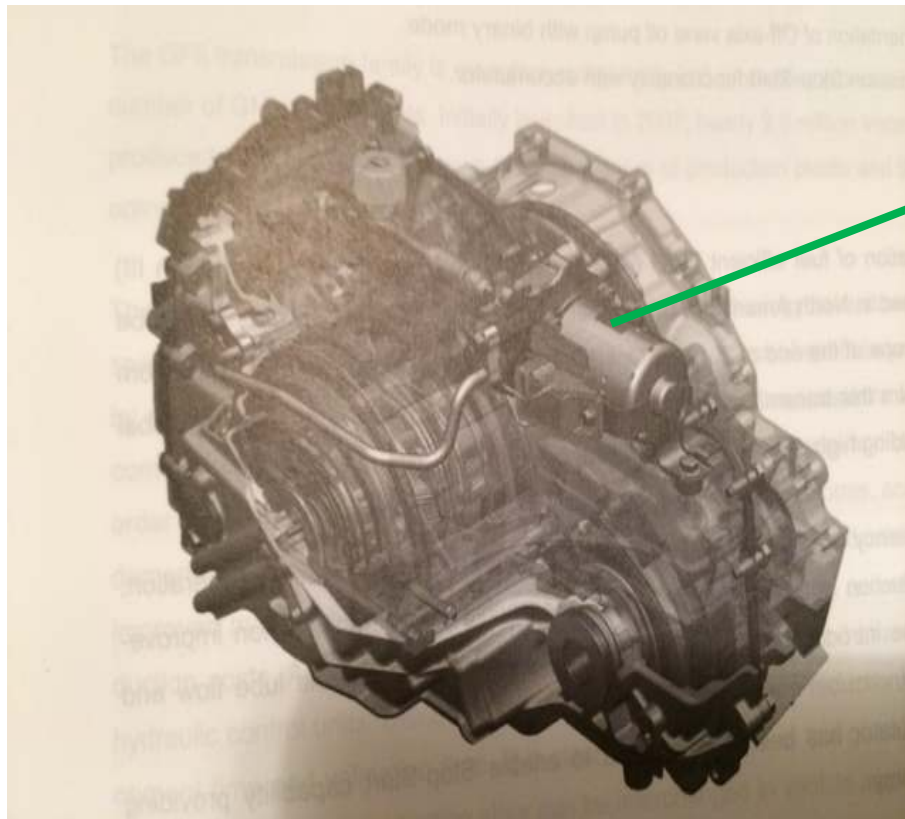


E-Leveling



E-PUMPS (FOR ICEs & HYBRIDS)

E-Pumps Platform



GROWING PRODUCTS - IPG

Smart Meters

[Gas] Highest intrinsic safety; Best resistance to impurities in gas supply; Compact; Cost effective.

[Electricity] Highest resistance to shock and Longest service life; Fail safe; Assist electric utilities with increased efficiencies & reduced costs; Compact size.



Building Automation

[Window automation actuators] Complete drive system combining motor, gear box and electronics technologies; Optimised efficiency & torque; Customised system performance.

[Robotic Machines] – Lowest Noise; Highest efficiency & torque; Longest operation life cycle

Home Appliance & Ventilation

[Brushless DC drain pumps & Range hood Motors]
Low noise, vibration & cost; High energy efficiency.



Medical Equipment

[Dosing system] Precise and repeatable deliver of medication;
High force; Low power consumption; Compact size.

[Diaphragm pump] Precise working points regarding pressure and flow; Long life operation

KEY CUSTOMERS

APG



MAHLE

Driven by performance



Volkswagen



Go Further



STACKPOLE



Go Further

FCA

FIAT CHRYSLER AUTOMOBILES



Audi



HILITE
INTERNATIONAL

IPG



Johnson & Johnson



Husqvarna



Electrolux

Landis
Gyr+

manage energy better



innovating motion

Group Overview

Key Financial Highlights

Operational Results

Acquired Businesses

Strategy & Outlook

Appendix

FY2016/17 December Quarter

GLOBAL SALES & SUPPORT OFFICES & ENGINEERING CENTERS

- ▶ **Argentina**
- ▶ **Austria**
- ▶ **Belgium**
- ▶ **Brazil**
- ▶ **Canada**
- ▶ **China**
- ▶ **France**
- ▶ **Germany**
- ▶ **Hong Kong**
- ▶ **India**
- ▶ **Italy**
- ▶ **Israel**
- ▶ **Japan**
- ▶ **Korea**
- ▶ **Netherlands**
- ▶ **Singapore**
- ▶ **Switzerland**
- ▶ **Turkey**
- ▶ **UK**
- ▶ **USA**



WORLDWIDE MANUFACTURING

- ▶ **Argentina**
- ▶ **Brazil**
- ▶ **Canada**
- ▶ **China**
- ▶ **France**
- ▶ **Germany**
- ▶ **Hungary**
- ▶ **India**
- ▶ **Italy**
- ▶ **Israel**
- ▶ **Korea**
- ▶ **Mexico**
- ▶ **Poland**
- ▶ **Serbia**
- ▶ **Switzerland**
- ▶ **Turkey**
- ▶ **UK**
- ▶ **USA**



Group Overview

Key Financial Highlights

Operational Results

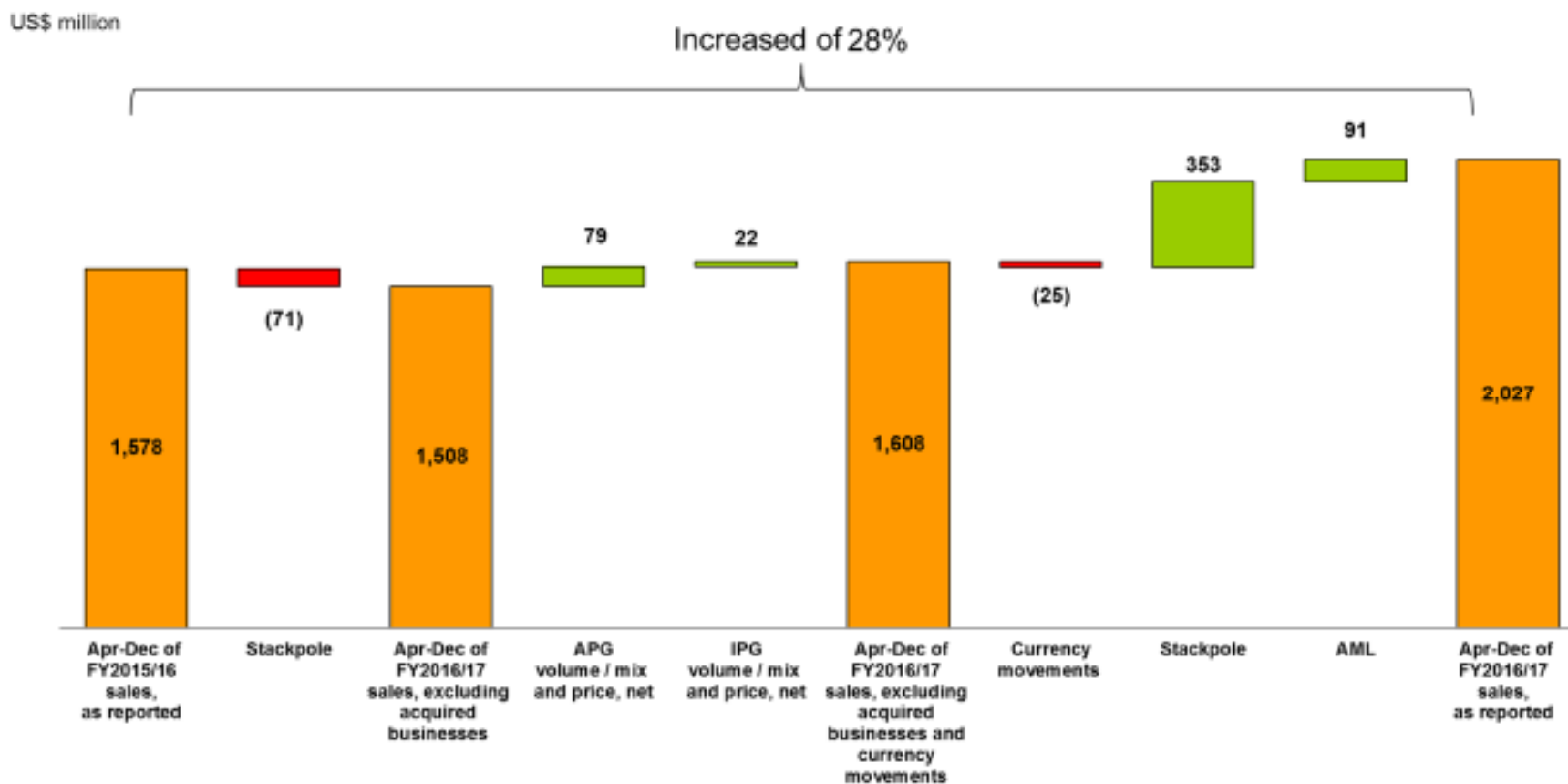
Acquired Businesses

Strategy & Outlook

Appendix

FY2016/17 December Quarter

SALES CHANGES FOR APR-DEC FY2016/17 vs. FY2015/16



Note: Numbers do not add across due to the effect of rounding

SALES GROWTH BY REGION - APG

Sales Growth/(Decline) % Excluding Acquisitions and Currency Movements

APG		Asia	Europe	Americas	TOTAL
FY2016/17	Q3	26.2%	(3.3%)	1.1%	7.9%
	Q2	31.2%	(1.1%)	3.0%	9.9%
	Q1	6.3%	5.0%	3.0%	5.1%
FY2015/16	Q4	5.3%	3.4%	8.1%	4.9%
	Q3	5.1%	4.5%	3.0%	4.4%
	Q2	(7.6%)	7.7%	5.2%	2.3%
	Q1	13.9%	4.5%	1.6%	6.8%
FY2014/15	Q4	11.7%	1.1%	(7.4%)	2.8%
	Q3	11.8%	6.9%	(5.3%)	6.1%
	Q2	13.4%	4.8%	(11.6%)	3.9%
	Q1	12.1%	6.4%	(7.0%)	5.3%

SALES GROWTH BY REGION - IPG

Sales Growth/(Decline) % Excluding Currency Movements

IPG		Asia	Europe	Americas	TOTAL
FY2016/17	Q3	9.3%	20.9%	(1.2%)	8.6%
	Q2	7.4%	15.8%	(8.1%)	4.3%
	Q1	(5.6%)	16.3%	(3.4%)	1.5%
FY2015/16	Q4	(16.8%)	15.1%	(2.5%)	(3.7%)
	Q3	(17.2%)	6.0%	(5.2%)	(7.3%)
	Q2	(12.2%)	0.5%	1.4%	(4.5%)
	Q1	(20.9%)	10.7%	7.2%	(3.8%)
FY2014/15	Q4	4.1%	6.9%	13.7%	7.9%
	Q3	(10.3%)	5.9%	19.8%	2.6%
	Q2	(10.2%)	5.3%	16.2%	0.9%
	Q1	3.5%	4.0%	0.4%	2.7%

DISCLAIMER

This presentation 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”, “believes”, “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.