

## PRESS RELEASE

### Full year results

## Neways reports higher turnover and results in 2017

**Son, 22 February 2018** – Neways Electronics International N.V. (Euronext: NEWAY) (“Neways” or the “Company”), today announces its results for the financial year ending 31 December 2017.

### HIGHLIGHTS

- Net turnover rises to € 438.7 million, up 11.6% compared with the previous year, largely on the back of a stronger contribution from the semiconductor and automotive sectors.
- Order intake up 21.3% compared with 2016, largely driven by new orders in the semiconductor, automotive and industrial sectors.
- Order book increased to € 263.6 million at year-end 2017, from € 191.3 million at year-end 2016.
- Gross margin came in at € 171.3 million, 11.4% higher than in 2016 on the back of higher activity levels.
- The normalised operating result came in at € 15.3 million in 2017, 20.5% higher than in 2016. The activity level increased more rapidly than expected, particularly in the second half of 2017. This resulted in an increase in the hiring of temporary staff and initially reduced operational and process efficiency. This combined with start-up and onboarding effects and shortages in the components market partly offset the improvement in results. Neways also invested in its organisation during the year, to facilitate the (cost) efficient completion of larger and more complex projects.
- Net income was 2.1% higher at € 9.9 million, as a result of the improved operating result and reduced financing costs. This was largely mitigated by a higher tax rate in 2017. Net result in 2016 was positively impacted by a recognition of a tax claim in Germany of € 1.8 million compared to € 0.6 million in 2017.

### KEY FIGURES

€ million unless otherwise stated	<b>2017</b>	<b>2016</b>	<b>Δ</b>
Net turnover	<b>438.7</b>	393.2	11.6 %
Order book (at year-end)	<b>263.6</b>	191.3	37.8 %
Gross margin	<b>171.3</b>	153.8	11.4 %
Normalised operating result <sup>1)</sup>	<b>15.3</b>	12.7	20.5 %
Operating result	<b>14.3</b>	11.8	21.2 %
Net income	<b>9.9</b>	9.7	2.1 %
Net cash flow	<b>- 3.4</b>	2.6	- 231.7%

<sup>1)</sup> FY 2016 and FY 2017 excluding the Purchase Price Amortisation (PPA) effect of € 0.9 million and € 1.0 million respectively. The PPA relates to the 2014 BuS Groep acquisition.

### MESSAGE FROM THE CEO

Huub van der Vrande, CEO:

“The year 2017 was in every respect a busy and eventful year, in which the bar was set higher than in the previous year. We saw turnover increase more than expected, by 11.6% to € 438.7 million. This shows that Neways is in a good position to grow with clients and benefit from economic growth. This rapid growth, however, together with the greater scope and complexity of projects, did have an impact on the organisation. We will need to continue to improve our logistical process this year, so we can continue to work efficiently, particularly in view of the shortages in the market for components that we

will certainly have to take into account this year. As a result of our investments in customer intimacy – the ability to be increasingly closely involved in our clients’ operations – our role is shifting from an operational and tactical one to a more strategic one. Closer cooperation with both clients and suppliers enables us to respond more effectively to the shortage of components in the market, as well as respond more effectively to greater demand and reap the benefits of higher activity levels. Thanks to our new performance-focused way of working and the successful implementation of our strategy, we are well on our way to engaging with our clients at an early stage as a product lifecycle partner and offering them greater added value.”

## FINANCIAL AND OPERATIONAL OVERVIEW

€ million unless otherwise stated	<b>2017</b>	<b>2016</b>	<b>Δ</b>
Net turnover	<b>438.7</b>	393.2	11.6 %
Order book (at year-end)	<b>263.6</b>	191.3	37.8 %
Order intake (incl. internal sales)	<b>556.6</b>	458.8	21.3 %
Book-to-bill (ratio)	<b>1.15</b>	1.06	8.5 %

Net turnover was up 11.6% at € 438.7 million in 2017. Activity levels were higher, especially in the second half of the year, and this also had a positive impact on the order book, which had increased by 37.8% to € 263.6 million at year-end 2017, from € 191.3 million at the end of December 2016. The book-to-bill ratio stood at 1.15. The increase in the order book and book-to-bill-ratio was largely driven by an increase in orders in the semiconductor, automotive and industrial sectors.

<b>Net turnover– market sector</b>			
Breakdown			
€ million unless otherwise stated	<b>2017</b>	<b>2016</b>	<b>Δ</b>
Industrial	<b>143</b>	143	0.0 %
Semiconductor	<b>105</b>	73	43.8 %
Automotive	<b>103</b>	97	6.2 %
Medical	<b>55</b>	56	-1.8 %
Defence	<b>15</b>	12	25.0 %
Other	<b>18</b>	12	50.0 %
<b>Total</b>	<b>439</b>	393	11.7 %

The increase in net turnover was largely due to higher turnover in the semiconductor and automotive sectors, with the latter among other factors driven by activities in e-Mobility.

€ million unless otherwise stated	<b>2017</b>	<b>2016</b>	<b>Δ</b>
Gross margin	<b>171.3</b>	153.8	11.4 %
Normalised operating result	<b>15.3</b>	12.7	20.5 %
Margin	<b>3.5%</b>	3.2%	

The gross margin came in 11.4% higher as a result of increased activity levels. The growing demand for complex box-build systems has resulted in an increase in the share of materials in the deliveries. The realisation of procurement benefits resulting from the supplier programme also made a contribution to the higher gross margin. The gross margin as a percentage of turnover amounted on balance to 39.0%, virtually unchanged from 2016.

Operating expenses were 10.6% higher as a result of higher personnel expenses, due to increased activity levels and additional costs related to changes in organisational processes. This was partly offset

by an improvement in operational execution. The normalised operating result came in 20.5% higher at € 15.3 million, which translates into a margin of 3.5%. The operating result including one-off items was up 21.2% at € 14.3 million, from € 11.8 million in 2016.

€ million unless otherwise stated	<u>2017</u>	<u>2016</u>	<u>Δ</u>
Financial expenses (net)	<b>1.6</b>	2.1	-23.3 %
Tax rate	<b>27.0%</b>	13.2%	
Net income	<b>9.9</b>	9.7	2.1 %
Earnings per share (€)	<b>0.86</b>	0.85	1.2 %

Financing costs were 23.3% lower, largely as a result of improved conditions and limited foreign exchange differences last year. In 2017, Neways paid off a total of € 6.0 million in debts subject to higher interest rates. In addition to this, Neways incurred refinancing costs in 2016.

At 27.0%, the tax rate was significantly higher in 2017 than the previous year. In 2016, the tax rate was strongly impacted by a one-off recognition of a tax credit in Germany totalling € 1.8 million. Neways capitalised the remaining sum of the deductible temporary differences of € 0.6 million in 2017. Net income and earnings per share consequently increased by 2.1% and 1.2% respectively to €9.9 million and € 0.86 per share on the basis of 11,481,301 outstanding shares at year-end 2017.

In 2017, Neways began construction of the production facility of the operating company in Decín (Czech Republic). The operating company in Wuxi (China) is set to move to a more spacious and more modern facility in 2018. A number of operating companies changed name in the year under review: the name of BuS Group, acquired in 2014, changed to Neways Electronics Riesa as of 1 April 2017. The Czech activities at BuS Decín are now operating under the name Neways Electronics Decín.

In 2017, we also began setting up competence centres, increasing investments in areas of expertise in which Neways is looking to differentiate itself. The purpose of these centres is twofold: further specialisation in those areas of expertise and the improved distribution of this know-how across the group.

## DIVIDEND

Neways proposes to pay a cash dividend of € 0.35 per share for the financial year 2017, subject to approval from our shareholders at the upcoming General Meeting of Shareholders. The proposed dividend represents an increase of 2.9% compared with the 2016 dividend of € 0.34, and a pay-out ratio of 40%, which is consistent with Neways' dividend policy. The dividend will be payable as of 30 April 2018.

## FINANCIAL CONDITION

€ million unless otherwise stated	<u>2017</u>	<u>2016</u>	<u>Δ</u>
Operating cash flow	<b>3.2</b>	10.6	-69.9 %
Investments	<b>-6.6</b>	-7.6	-13.2 %

Operating cash flow came in at € 3.2 million, a decline of 69.9%, largely due to an increase in working capital driven by the strong increase in activity levels, partly offset by the higher operating result.

Net working capital had risen to € 79.4 million at year-end 2017, compared with € 64.4 million a year earlier. The increased activity levels had an upward impact on inventories, payables and receivables. Days inventory outstanding (DIO) increased to 80 days, from 79 at year-end 2016. Days sales outstanding came in at 36, from 38 in 2016. This was largely due to the higher turnover in the second

half of the year and the effective use of supplier finance programmes. The total sum of receivables outstanding increased as a result of the higher activity levels, but declined in relative terms to 61 days in 2017, from 63 days in 2016.

Capex was € 6.6 million (1.5% of net turnover) in 2017. Capex was limited due to the fact that € 2.4 million was payable after year-end and, as in 2016, was around the level of depreciations. Investments were related to replacement and expansion investments in materials and tools to facilitate growth. The return on invested capital came in at 16.5%, compared to 14.7% in 2016.

	<u>Year-end 2017</u>	<u>End H1 2017</u>	<u>Year-end 2016</u>
Net debt / EBITDA	1.6	1.8	1.5
Interest coverage	10.2	10.4	6.8
Solvency <sup>1</sup>	44.0%	42.1%	44.6%

<sup>1</sup> Guaranteed equity as % of balance sheet total

Net debt stood at € 37.2 million at year-end 2017, up 24.0% compared to year-end 2016, largely due to the refinancing of working capital. LTM (last twelve months) EBITDA increased by 17.0% to € 23.4 million, from € 20.0 million at year-end 2016. As a result, the net debt / EBITDA ratio came in at 1.6, a slight decline compared to year-end 2016.

Interest coverage showed a marked improvement thanks to the combination of reduced interest expenses and improved profitability. Solvency stood at 44.0% at year-end 2017, compared with 44.6% a year earlier. The decline was due to the increase in the balance sheet total.

In 2017, Neways exercised its option for a one-year extension on the refinancing of the group that was arranged in 2016. As a result, the financing facility now runs to 31 October 2019.

At year-end 2017, Neways was operating within the parameters of the agreed covenants. EBITDA for the last twelve months (LTM) came in at € 23.4 million and was therefore above the required minimum of € 10 million. The guaranteed equity stood at € 89.9 million. The adjusted guaranteed equity (guaranteed equity less intangible fixed assets and deferred tax liabilities) stood at € 73.8 million at year-end 2017. This was above the agreed minimum of € 55 million. The minimum agreed for 2018 and 2019 is also € 55 million.

The figures in this press release have not been audited and the financial statements have not yet been prepared.

## OUTLOOK

Looking at the order book, 2018 is off to a good start. Neways does expect the higher activity levels and persistent shortages on the components market to remain challenges for the organisation. In 2018, Neways will focus on making improvements to its organisation, particularly in the fields of procurement and logistics.

Based on the economic outlook and the current order book, Neways expects net turnover and the normalised operating result for the full year 2018 to be higher than in 2017.

**END**



## ABOUT NEWAYS

Neways Electronics International N.V. (Neways) is an international company active in the EMS (Electronic Manufacturing Services) market. Neways offers its clients custom-made solutions for the complete product life cycle (from product development to after-sales service) of both electronic components and complete (box-built) electronic control systems. Neways operates in a niche of the EMS market and focuses primarily on small to medium-sized specialist series, in which quality, flexibility and time-to-market play a crucial role. Neways products are used in sectors such as the semiconductor, medical, automotive, general industry and defence industries. Neways has operating companies in the Netherlands, Germany, the Czech Republic, Slovakia and China, with a total of 2,792 employees at 31 December 2017. Neways recorded net turnover of € 438.7 million in 2017. Neways shares are listed on the Euronext Amsterdam stock exchange (symbol: NEWAY). [www.newayselectronics.com](http://www.newayselectronics.com)

### Not for publication:

#### INFORMATION

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#### MEDIA, ANALYST & INVESTOR MEETING

Neways has organised a combined press conference / analysts meeting on its full year 2017 results to be held today, Thursday 22 February 2018, at 10.30 hours, at Hotel Casa 400. Eerste Ringdijk 4 in Amsterdam. The presentation is available on Neways' corporate website [www.newayselectronics.com](http://www.newayselectronics.com)

#### ANNUAL REPORT

Neways' annual report for the year ending 31 December 2017 will be published on 28 February 2018. From that date onward the annual report will be available online at [www.newayselectronics.com](http://www.newayselectronics.com)

#### IMPORTANT DATES

22 February 2018 (today)	Publication annual results 2017
28 February 2018	Publication of annual report
20 April 2018	Publication trading update
20 April 2018	General Meeting of Shareholders
30 August 2018	Publication interim results 2018
30 October 2018	Publication trading update

#### FORWARD-LOOKING INFORMATION / DISCLAIMER

This press release includes forward-looking statements. Other than reported financial results and historical information, all statements included in this press release, including, without limitation, those regarding our financial position, business strategy and management plans and objectives for future operations, are forward-looking statements. These forward-looking statements are based on our current expectations and projections about future events and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond Neways' ability to control or estimate precisely, such as future market conditions, the behaviour of other market participants and the actions of governmental regulators. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release and are subject to change without notice. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be traded, we have no intention or obligation to update forward-looking statements.

#### ADDENDA:

- Consolidated profit and loss account
- Consolidated balance sheet
- Consolidated cash flow statement
- Statement of changes in Group equity
- Additional data

## Consolidated Profit and Loss Account

Amounts x € mln.	2017	2016
<b>Turnover</b>	<b>438.7</b>	<b>393.2</b>
Costs of materials	-268.1	-239.5
Change in work in progress and finished products	0.7	0.1
<b>Gross margin</b>	<b>171.3</b>	<b>153.8</b>
<b>Operating expenses</b>		
Personnel costs	120.5	107.9
Depreciation and amortization tangible and intangible fixed assets	8.1	7.3
Other operating expenses	27.4	25.9
<b>Total operating expenses</b>	<b>156.0</b>	<b>141.1</b>
<b>Normalized operating result</b>	<b>15.3</b>	<b>12.7</b>
Financial expenses	-1.6	-2.1
<b>Result from ordinary activities before taxes</b>	<b>13.7</b>	<b>10.6</b>
Taxation on ordinary activities	-3.7	-1.4
<b>Result from ordinary activities after taxes</b>	<b>10.0</b>	<b>9.2</b>
Extraordinary expenses	-1.0	-0.9
Taxes extraordinary expenses	0.3	0.2
Valuation tax liability on loss compensation Germany	0.6	1.2
<b>Net result</b>	<b>9.9</b>	<b>9.7</b>

## Consolidated Balance Sheet

Amounts x € mln.	31-12-2017	31-12-2016
<b>Assets</b>		
<b>Fixed assets</b>	<b>51.9</b>	<b>52.0</b>
Tangible fixed assets	35.6	34.2
Intangible fixed assets	11.9	13.5
Deferred tax assets	4.4	4.3
<b>Current assets</b>	<b>152.5</b>	<b>136.1</b>
Inventories	98.0	86.3
Receivables	53.3	48.5
Corporate income tax	0.2	0.1
Cash and cash equivalents	1.0	1.2
<b>Total assets</b>	<b>204.4</b>	<b>188.1</b>
<b>Liabilities</b>		
<b>Group equity</b>	<b>85.0</b>	<b>78.9</b>
<b>Long-term liabilities</b>	<b>11.7</b>	<b>12.0</b>
Interest bearing loans	5.0	5.3
Provisions	0.9	0.6
Pension and long service awards liabilities	5.1	5.3
Deferred tax liabilities	0.7	0.8
<b>Short-term liabilities</b>	<b>107.7</b>	<b>97.2</b>
Bank overdrafts	32.9	19.9
Interest bearing loans	0.4	5.9
Trade creditors and other payables	66.1	63.3
Taxes and social security contributions	5.8	7.2
Corporate income tax	1.2	0.3
Provisions	1.3	0.6
<b>Total assets and liabilities</b>	<b>204.4</b>	<b>188.1</b>

## Consolidated Cash Flow Statement

Amounts x € mln.	2017	2016
<b>Cash flow from operating activities</b>		
Results before tax	12.7	9.7
<i>Adjustments for:</i>		
Depreciation and amortization	9.1	8.2
Costs granted staff options	0.1	0.1
Costs granted performance shares	0.1	0.0
Finance costs	1.6	2.1
Interest paid	-1.5	-1.8
Change in provisions	0.7	-1.4
Received (paid) corporate income taxes	-2.1	-1.4
Changes in working capital *)	-17.5	-4.9
<b>Total **)</b>	<b>3.2</b>	<b>10.6</b>
<b>Cash flow from investment activities</b>		
Investments in intangible fixed assets	-0.1	-1.4
Investments in tangible fixed assets	-6.5	-6.2
Sale of discontinued operations	0.0	-0.4
<b>Total **)</b>	<b>-6.6</b>	<b>-8.0</b>
<b>Cash flow from financing activities</b>		
Returns from interest bearing loans	0.0	0.0
Repayments of interest bearing loans	-6.0	-11.1
Use of bank overdrafts	13.0	9.1
Returns from options exercised	0.2	0.3
Dividends paid to shareholders	-3.9	-1.3
<b>Total</b>	<b>3.3</b>	<b>-3.0</b>
<b>Change in cash and cash equivalents</b>		
	<b>-0.1</b>	<b>-0.3</b>
Net exchange rate differences	-0.1	0.0
Cash and cash equivalents as per 1 January	1.2	1.6
<b>Cash and cash equivalents as per 31 December</b>		
	<b>1.0</b>	<b>1.3</b>
<b>*) Changes in working capital</b>		
Inventories	-11.7	-4.7
Accounts receivables	-4.8	-8.6
Trade creditors and other liabilities	-1.0	8.4
	<b>-17.5</b>	<b>-4.9</b>
<b>**) Net cash flow</b>		
	<b>-3.4</b>	<b>2.6</b>



## Statement of Changes in Group Equity

Amounts x € mln.	2017	2016
<b>Balance as per 1 January</b>	<b>78.9</b>	<b>70.6</b>
Unrealised results	-0.2	-0.4
Net result	9.9	9.7
Exercised share options	0.1	0.2
Issuance share options	0.2	0.1
Dividends	-3.9	-1.3
<b>Balance on 31 December</b>	<b>85.0</b>	<b>78.9</b>

## Additional data

Amounts x € mln.	31-12-2017	31-12-2016
Operating result in % of turnover *)	3.5	3.2
Net result in % of turnover *)	2.3	2.5
Total equity in % of balance total	44.0	44.6
Average number of employees	2,750	2,565
<b>Per ordinary share in €</b>		
Operating result	1.33	1.11
Net result	0.86	0.85
Total equity	7.40	6.89
Dividends	0.35	0.34
Number of outstanding shares x 1.000	11,481	11,459

\*) Excluding exceptional charges and PPA