

PRESS RELEASE

Interim results

Neways records strong turnover growth

Son, 29 August 2017 – Neways Electronics International N.V. (Euronext: NEWAY) ('Neways' or the "Company"), today announced its results for the first half year (H1) ending 30 June 2017.

HIGHLIGHTS

- Net turnover rises to € 213.6 million, up 7.9% year-on-year, largely on the back of strong contributions from Semiconductor, Automotive and Defence.
- Order intake increased by 12.1% year-on-year, primarily driven by new contracts at Semiconductor and Automotive. Order book stood at € 218.0 million at end-June 2017, up from € 184.4 million at end-June 2016.
- Gross margin at € 84.8 million, an increase of 9.3% compared with the first half of 2016, on the back of higher sales and the realisation of purchasing benefits.
- Normalised operating result at € 7.2 million, in line with the first half of 2016. Faster than anticipated growth in activity levels and late deliveries due to scarcity in the components market resulted in inefficiency in the production process and the greater use of temporary staff. In addition, Neways made extra investments in the organisation to facilitate the realisation of larger and more complex development projects, which had a dampening effect on the operating result.
- Net income came in 11.4% higher at € 4.9 million, due to a one-off tax gain of € 0.4 million and lower interest expenses.

KEY FIGURES

€ million unless otherwise stated	H1-17	H1-16	Δ
Net turnover	213.6	197.9	+7.9%
Order book (at end-June)	218.0	184.4	+18.2%
Gross margin	84.8	77.6	+9.3%
Normalized operating result ¹⁾	7.2	7.2	+0.0%
Operating result	6.7	6.7	+0.0%
Net income	4.9	4.4	+11.4%
Net cash flow	-8.5	-3.8	-/-123.7%

¹⁾ H1 2016 and H1 2017 excluding the Purchase Price Amortisation (PPA) effect of € 0.5 million and € 0.5 million respectively. The PPA is related to the BuS Group acquisition in 2014.

MESSAGE FROM THE CEO

Huib van der Vrande, CEO: "The increase in orders and turnover in the first half of the year shows that we are growing strongly and that OEMs clearly recognise the added value of our proposition as a fully-fledged development and lifecycle partner. Both new and existing clients increasingly approach and engage Neways in the early stages in the development of electronic components and systems. This was a particularly busy first half for our developers and engineers.

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In addition to strong growth in the number of orders, the average volume of orders also increased. This increased the range of demands and requirements from our clients and the complexity of the orders. A number of projects required additional efforts due to the rapid upscaling in terms of both the size and complexity of development projects. We see clear potential to improve the execution of projects in terms of both effectiveness and efficiency. However, we are not satisfied with the development of the result in the past six-month period.

In the context of our 'Up to the next level' programme, we are structuring our organisation and the deployment of resources to make these more robust, which will improve the efficiency of our logistics and production processes. This will take time, however, especially as it requires greater awareness on the part of our people and the realisation of a new way of working."

FINANCIAL AND OPERATIONAL OVERVIEW

€ million unless otherwise stated	<u>H1-17</u>	<u>H1-16</u>	<u>Δ</u>
Net turnover	213.6	197.9	+7.9%
Order book (at end-June)	218.0	184.4	+18.2%
Order intake (incl. internal sales)	262.6	234.2	+12.1%
Book-to-bill (ratio)	1.1	1.1	+0.0%

Net turnover increase was fully based on organic growth of 7.9% and came in at € 213.6 million in the first half of 2017, largely due to a strong contribution from Semiconductor, as well as the Automotive and Defence sectors. The order intake increased by 12.1% or € 28.4 million in the first half of the year, which resulted in an increase in the order book of 18.2% to € 218.0 million, from € 184.4 million at end-June 2016. The book-to-bill ratio was 1.1, largely driven by new orders from the Semiconductor and Automotive sectors.

Net turnover—market sector breakdown			
€ million unless otherwise stated	<u>H1-17</u>	<u>H1-16</u>	<u>Δ</u>
Industrial	73	73	-/-0.2%
Automotive	51	49	+4.0%
Semiconductor	50	35	+42.4%
Medical	27	28	-/-3.5%
Defence	8	6	+30.1%
Other	5	7	-/-25.2%
Total	214	198	+7.9%

€ million unless otherwise stated	<u>H1-17</u>	<u>H1-16</u>	<u>Δ</u>
Gross margin	84.8	77.6	+9.3%
Normalised operating result	7.2	7.2	+0.0%
<i>Margin</i>	3.4%	3.6%	

The gross margin was up 9.3% on the back of higher sales and the realisation of purchasing benefits. Relative to net turnover, the gross margin was also higher at 39.7% in the first half of 2017, compared with 39.2% in the first half of 2016 (H2 2016: 39.0%).

Operating expenses were up 10.2%, largely due to an increase in the use of temporary staff, as a result of higher activity levels and the resulting need to safeguard the quality and delivery reliability levels.

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The increase in both size and complexity of projects also required additional investments in the organisation. The normalised operating result remained stable at € 7.2 million, which translates into a margin of 3.4%.

€ million unless otherwise stated	<u>H1-17</u>	<u>H1-16</u>	<u>Δ</u>
Financial expenses (net)	0.7	0.9	-/-22.2%
Tax rate	24.6%	23.8%	
Net income	4.9	4.4	11.4%
Earnings per share (€)	0.43	0.39	10.3%

Financial expenses declined by 22.2%, largely due to improved terms. Neways repaid a total of € 4.3 million in loans with a higher interest rate in the past 12 months to 30 June 2017.

The tax rate increased to 24.6% in the first half of 2017, slightly higher than the 23.8% reported in the first half of 2016. Net income was 11.4% higher at € 4.9 million, due to a one-off tax gain of € 0.4 million. Earnings per share were up 10.3% at € 0.43 per share, based on 11,478,801 shares outstanding as at end-June 2017.

FINANCIAL CONDITION

€ million unless otherwise stated	<u>H1-17</u>	<u>H1-16</u>	<u>Δ</u>
Operating cash flow	-5.7	-1.6	-/-256.3%
Capex	-2.8	-2.2	-/-27.3%

Operating cash flow came in at minus € 5.7 million, largely due to higher inventory levels as a result of higher activity levels and in anticipation of shortages in the components market.

Net working capital increased to € 79.6 million, from € 69.5 million at the end-June 2016. Both inventories and receivables increased on the back of the strong increase in activity levels and order levels. DIO remained unchanged from end-June 2016 at 82 days. DSO was stable at 36, unchanged from a year-earlier. In terms of the number of days outstanding, accounts payable remained stable at 59 in line with the number of days at end-June 2016.

Capex amounted to € 2.8 million.

	<u>End-H1-17</u>	<u>End-H1-16</u>	<u>End-H1-16</u>
Net debt / EBITDA *)	1.8	1.5	2
Interest coverage	10.4	6.8	9.5
Solvency	42.1%	44.6%	41.7%

*) With effect from 2017, net debt excludes guaranteed capital.

Net debt was € 37.5 million at end-June 2017, up 17.9% compared with end-June 2016 on a comparable basis. At the same time, LTM EBITDA increased by 12.0% to € 20.5 million, compared with € 18.3 million in the year-earlier period. The net debt/EBITDA ratio stood at 1.8; including guaranteed capital, the net debt/EBITDA ratio would have stood at 2.1. The interest coverage ratio improved to 10.4, from 9.5 at end-June 2016.

Solvency stood at 42.1% at the end of the first half of 2017, an improvement on the 41.7% reported for the end of H1 2016. Solvency stood at 44.6% at year-end 2016.

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OUTLOOK

Neways will continue the roll-out of its group-wide improvement programme “Up to the next level” in the second half of 2017 and as part of this programme will prioritise improvements in operational efficiency. Thanks to these efforts and the strong increase in the order book, Neways expects to record higher net turnover and normalised operating result for the full-year 2017 compared to the full-year 2016.

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-build) 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, telecom and defence industries. Neways has operating companies in the Netherlands, Germany, the Czech Republic, Slovakia and China, with a total of 2,612 employees at the end of 2016. Neways recorded net turnover of € 393 million in 2016. Neways shares are listed on the Euronext Amsterdam stock exchange (symbol: NEWAY).

www.newayselectronics.com

Not for publication

ENQUIRIES

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MEDIA & ANALYST MEETING

A combined media and analyst meeting on the 2017 interim results will be held today at 10.30 CET at Hotel Casa 400, Eerste Ringdijk 4 in Amsterdam. The presentation is available for download via the Neways corporate website www.newayselectronics.com.

INTERIM FINANCIAL REPORT

Neways today published its interim financial report for the six months ending 30 June 2017. This report comprises the information required pursuant to articles 1:1 and 5:25d of the Dutch Financial Markets Supervision Act (*Wet op het Financieel Toezicht*). The interim financial report is available online at www.newayselectronics.com

KEY DATES

29 August 2017 (today)	Publication interim results 2017
19 September 2017	Open day shareholders
31 October 2017	Publication trading update
22 February 2018	Publication full-year results 2017

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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

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Neways Electronics International N.V.

Consolidated Profit and Loss Account

Amounts x € mln.	First half year 2017	First half year 2016	Year 2016
Turnover	213.6	197.9	393.2
Costs of materials	-130.7	-119.6	-239.4
Change in work in progress and finished products	1.9	-0.7	0.1
Gross margin	84.8	77.6	153.9
Operating expenses			
Personnel costs	60.0	54.0	107.9
Depreciation and amortisation tangible and intangible fixed assets	3.9	3.4	7.3
Other operating costs	13.7	13.0	26.0
Total operating expenses	77.6	70.4	141.2
Normalised operating result	7.2	7.2	12.7
Financial expenses	-0.7	-0.9	-2.1
Result from ordinary activities before taxes	6.5	6.3	10.6
Taxation on ordinary activities	-1.6	-1.5	-1.4
Result from ordinary activities after taxes	4.9	4.8	9.2
Extraordinary expenses	-0.5	-0.5	-0.9
Taxes extraordinary expenses	0.1	0.1	0.2
Valuation tax assets loss-compensation Germany	0.4	0.0	1.2
Net income	4.9	4.4	9.7

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Neways Electronics International N.V.

Consolidated Balance Sheet

Amounts x € mln.	30-06-2017	31-12-2016	30-06-2016
Assets			
Fixed assets	50.5	52.0	51.7
Tangible fixed assets	33.6	34.2	33.0
Intangible fixed assets	12.5	13.5	14.2
Deferred tax assets	4.4	4.3	4.5
Current assets	151.1	136.1	136.3
Inventories	97.3	86.3	85.9
Receivables	52.6	48.5	49.1
Corporate income tax	0.1	0.1	0.0
Cash and cash equivalents	1.1	1.2	1.3
Total assets	201.6	188.1	188.0
Liabilities			
Group equity	80.0	78.9	73.7
Long term liabilities	11.6	12.0	16.8
Interest bearing loans	5.0	5.3	8.2
Provisions	0.7	0.6	0.7
Pension and long service awards liabilities	5.2	5.3	4.7
Deferred tax liabilities	0.7	0.8	3.2
Short term liabilities	110.0	97.2	97.5
Bank overdrafts	35.3	19.9	20.4
Interest bearing loans	3.2	5.9	9.5
Trade creditors and other payables	63.5	63.3	56.0
Taxes and social insurance premiums	7.0	7.2	9.5
Corporate income tax	0.4	0.3	0.3
Provisions	0.6	0.6	1.8
Total liabilities	201.6	188.1	188.0

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Neways Electronics International N.V.

Consolidated Cash Flow Statement

Amounts x € mln.	First half year 2017	First half year 2016
Cash flow from operating activities		
Results before taxes	6.5	6.3
<i>Adjustments for:</i>		
Depreciation and amortisation	3.9	3.4
Costs granted staff options	0.0	0.0
Finance costs	0.7	0.9
Interest paid	-0.6	-0.8
Change in provisions	0.0	-0.7
Received (paid) corporate income taxes	-1.1	-0.6
Changes in working capital *)	-15.1	-10.1
Total **)	-5.7	-1.6
Cash flow from investment activities		
Investments in intangible fixed assets	-0.2	-0.6
Investments in tangible fixed assets	-2.6	-1.6
Total **)	-2.8	-2.2
Cash flow from financing activities		
Returns from interest bearing loans	-3.0	-4.6
More (less) use of bank overdrafts	15.4	9.6
Returns from options exercised	0.1	0.0
Dividends paid to shareholders	-3.9	-1.3
Total	8.6	3.7
Change in cash and cash equivalents		
Net exchange rate differences	-0.2	-0.2
Cash and cash equivalents as per 1 January	1.2	1.6
Cash and cash equivalents as per 30 June		
	1.1	1.3
*) Changes in working capital		
Inventories	-11.0	-4.3
Accounts receivable	-4.1	-9.2
Trade creditors and other liabilities	0.0	3.4
	-15.1	-10.1
**) Net cashflow		
	-8.5	-3.8

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Neways Electronics International N.V.

Statement of Changes in Group Equity

Amounts x € mln.	First half year 2017	First half year 2016
Balance as per 1 January	78.9	70.6
Unrealised results	-0.1	-0.1
Net income	4.9	4.4
Exercised share options	0.1	0.0
Issuance share options	0.1	0.1
Dividends	-3.9	-1.3
Balance on 30 June	80.0	73.7

Additional data

Amounts x € mln.	30-06-2017	30-06-2016	31-12-2016
Operating result in % of turnover *)	3.4	3.6	3.2
Net result in % of turnover	2.3	2.2	2.5
Total equity in % of balance total	42.1	41.7	44.6
Average number of employees	2,676	2,543	2,565
Per ordinary share in €			
Operating result *)	0.63	0.63	1.11
Net earnings	0.43	0.39	0.85
Total equity	6.97	6.46	6.89
Dividends	0.00	0.00	0.34
Number of outstanding shares x 1,000	11.479	11.406	11.459

*) Excluding exceptional charges and PPA

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