



NEWAYS ELECTRONICS INTERNATIONAL N.V.

HALF YEAR REPORT 2016

Course of events in the first half year

Highlights:

- Net turnover at € 197.9 million, up 4.7% year-on-year, primarily driven by Automotive and Defence.
- Order intake increased by 11% year-on-year, driven in particular by new orders in Automotive and Semiconductors. Order book stood at € 184.4 million, compared to € 163.0 million at end-June 2015.
- Gross margin increased by 2.6% year-on-year to € 77.6 million. Positive effect of higher volume was partly offset by increased material components, mainly due to mix changes.
- Operating result came in at € 6.7 million, up 28.8% year-on-year, mainly driven by better capacity utilisation and strict cost controls. The first benefits of the organisational adjustments are becoming visible.
- Net income came in at € 4.4 million, up 29.4% due to operating leverage and slightly lower finance expenses.

Operational developments

Huub van der Vrande, CEO: "In the first half year, our order book increased strongly, reflecting the effect of our diversification programme, and the strengthening of our market position in Automotive. We added new clients and won orders in areas such as control systems for e-Mobility. We have largely completed the organisational adjustments we announced at the end of last year and these are now starting to make a positive contribution to the improvement of our operating result, which was almost 30% higher year-on-year.

We will continue to invest in improving our operational processes and customer relationships, which will help to become the trusted technology partner at every stage of our customers' product life cycle management.

Based on the strong order book and our increased visibility, we expect a solid second half of the year."

Financial data

Net turnover came in 4.7% higher at € 197.9 million. This increase was driven by the Automotive and Defence segments. Order intake was strong in H1 2016, leading to a 13.1% increase in the order book to € 184.4 million, compared to € 163.0 million at end-June 2015, and a book-to-bill ratio of 1.1. The increase in the order book and book-to-bill was largely due to new orders at Automotive, Semiconductors and Defence and reflects a longer term visibility in the order book.

The increase in net turnover was primarily driven by higher sales in the sectors Automotive, driven mainly by e-Mobility, Industrial, Semiconductors and Defence, which was partly offset by a decline in Medical.

This half year report has not been audited.



The gross margin came in 2.6% higher on the back of the increase in net turnover. Relative to net turnover, gross margin declined to 39.2% in H1 2016 from 40% in H1 2015 (H2 2015: 38.9%). Demand for more complex box-built systems increased, which in turn led to an increase in the level of material components.

Operating expenses increased by 0.7%, mainly as a consequence of higher activity levels. Additional costs related to changes in the organisational processes and the ongoing implementation of the new group ERP system were offset by the improvement in operational execution and initial savings from the largely completed organisational adjustments at two operating companies.

Financial expenses fell by 25%, mainly due to lower effective interest rates. In the 12 months to 30 June 2016, Neways has repaid a total of € 5.3 million in loans that carried higher interest rates.

Capex was in line with last year and was primarily related to replacement investments in equipment and tooling, R&D and the implementation of the new group ERP system. Return on invested capital came in at 7.6% compared to 6.5% in H1 2015.

Net debt amounted to € 36.8 million at end-June 2016, down 7% versus end-June 2015, largely due to reduced bank loans, while LTM EBITDA increased by 7% to € 18.3 million versus € 17.1 million. Net debt / EBITDA stood at 2.0, a clear improvement compared with end-June 2015.

Solvency was stable and stood at 39.2% at end-June 2016, compared with 39.8% at year-end 2015 and 37.4% at end-June 2015. Adjusted for the deferred tax asset and intangible fixed assets, solvency improved to 35.4% from 33.6%, which is in line with the bank requirement of 35%.

Risk factors and uncertainties with potential effect in the second half year 2016

The Neways reporting system and the key risks identified are explained in the risk section of the 2015 annual report, on pages 68-72. The risks described also apply to the second half of 2016.

Outlook

Neways will continue to roll out its group-wide improvement programme "Up to the next level" in the second half of 2016. The order book is at a relatively high level when compared to the same period last year. Based on this, Neways expects to record higher net turnover and operating result for the full year 2016 than in 2015.

Directors' statement regarding financial reporting

The Board of Directors of Neways Electronics International N.V. confirms that, to the best of its knowledge:

The 2016 half year financial statements give a true and fair view of the assets, liabilities and financial position as at 30 June 2016 and of the results for the first half year then ended of Neways Electronics International N.V. and the Group companies included in the consolidation;

This half year report has not been audited.



The 2016 half year report of the Board of Directors gives a true and fair view of the position as at 30 June 2016 of Neways Electronics International N.V. and its Group companies included in the consolidation and of the developments during the first half year then ended as presented in the consolidated half year financial statements, and the half year report describes the material risk facing the company.

Son (the Netherlands), 30 August 2016

Huub van der Vrande – CEO
Paul de Koning – CFO
Adrie van Bragt – COO

This half year report has not been audited.

HALF YEAR RESULT 2016
Consolidated Statement of Realised and Unrealised Results

Amounts x € 1,000	First half year 2016	First half year 2015
Turnover sale of goods	197,943	189,121
Change in work in progress and finished products	-666	1,228
Costs of materials	-119,646	-114,691
Personnel costs	-53,973	-52,129
Depreciations and amortisations	-3,877	-3,980
Other operating expenses	-13,093	-14,365
Operating result	6,688	5,184
Financing costs	-866	-1,192
Result before taxes	5,822	3,992
Taxes (4)	-1,404	-608
Net result	4,418	3,384
Unrealised result		
<i>To reclassify in the profit and loss account in following periods:</i>		
Exchange rate differences foreign subsidiaries	-99	326
Unrealised results after taxes	-99	326
Total realised and unrealised results after taxes	4,319	3,710
Result per share (in €):		
Net result	0.39	0.30
Diluted net result	0.38	0.29

This half year report has not been audited.

Consolidated Balance Sheet

Amounts € 1,000	30/06/2016	31/12/2015
Assets		
Fixed assets		
Tangible fixed assets	32,993	34,800
Intangible fixed assets (5)	14,195	14,074
Financial fixed assets	4,511	4,511
	51,699	53,385
Current assets		
Inventories	85,867	81,632
Trade and other receivables	49,105	39,873
Corporate income tax	35	640
Cash and cash equivalents	1,336	1,552
	136,343	123,697
Total assets	188,042	177,082
Equity and liabilities		
Issued and paid-up capital	5,703	5,701
Share premium reserve	39,735	39,693
Retained earnings	27,407	24,243
Translation reserve	818	917
Equity attributable to holders of ordinary shares	73,663	70,554
Long-term liabilities		
Interest bearing loans (7)	8,229	11,151
Provisions (8)	712	850
Pension and jubilee provision	4,664	4,914
Deferred tax liabilities	3,184	3,322
	16,789	20,237
Short-term liabilities		
Bank overdrafts (7)	20,378	10,779
Interest bearing loans (7)	9,460	11,158
Trade and other payables	56,057	55,440
Taxes and social security premiums	9,613	6,647
Corporate income tax (4)	282	141
Provisions (8)	1,800	2,126
	97,590	86,291
Total equity and liabilities	188,042	177,082

This half year report has not been audited.

Consolidated Cash Flow Statement

Amounts € 1,000	First half year 2016	First half year 2015
Operating activities		
Results before taxes	5,822	3,992
<i>Adjustments for:</i>		
Depreciation of tangible fixed assets	3,418	3,164
Amortisation of intangible fixed assets	459	816
Costs granted staff options	23	31
Finance costs	866	1,192
Change in provisions and pension liabilities	-714	-432
Changes in working capital *)	<u>-9,884</u>	<u>-10,602</u>
	-10	-1,839
Other changes:		
Interest paid	-749	-1,170
Corporate income tax paid	<u>-598</u>	<u>-216</u>
Cash flow from operating activities	-1,357	-3,225
Investment activities		
Investments in intangible fixed assets	-580	-143
Investments in tangible fixed assets	<u>-1,611</u>	<u>-2,188</u>
Cash flow from investing activities	-2,191	-2,331
Financing activities		
Repayments of interest bearing loans	-4,600	-2,500
More (less) use of bank overdrafts	9,599	7,488
Dividends paid to shareholders	-1,254	0
Revenues from exercise of options	21	592
Cash flow from financing activities	<u>3,766</u>	<u>5,580</u>
Change in cash and cash equivalents	218	24
Net exchange rate differences foreign currencies	-434	259
Cash and cash equivalents as per 1 January	<u>1,552</u>	<u>1,778</u>
Cash and cash equivalents as per 30 June	1,336	2,061
*) Changes in working capital		
Inventories	-4,235	-4,278
Trade and other receivables	-9,232	-10,031
Trade and other payables	617	1,987
Taxes and social securities premiums	<u>2,966</u>	<u>1,720</u>
	-9,884	-10,602

This half year report has not been audited.

HALF YEAR RESULT 2016

Consolidated Statement of Changes in Group Equity
--

Amounts € 1,000	Issued and paid capital	Share premium reserve	Retained earnings	Exchange rate differences reserve	Total equity
Balance as per 1 January 2015	5,493	39,237	20,671	590	65,991
Result for the period			3,384		3,384
Unrealised results				326	326
Total realised and unrealised results	0	0	3,384	326	3,710
Exercise share options (6)	44	548			592
Issuance share options (6)		31			31
Dividends (6)	163	-163			0
Total transactions with owners of the Company	207	416	0	0	623
Balance as per 30 June 2015	5,700	39,653	24,055	916	70,324
Balance as per 1 January 2016	5,701	39,693	24,243	917	70,554
Result for the period			4,418		4,418
Unrealised results				-99	-99
Total realised and unrealised results	0	0	4,418	-99	4,319
Exercise share options (6)	2	19			21
Issuance share options (6)		23			23
Dividends (6)			-1,254		-1,254
Total transactions with owners of the Company	2	42	-1,254	0	-1,210
Balance as per 30 June 2016	5,703	39,735	27,407	818	73,663

This half year report has not been audited.



Notes to the consolidated first half year results 2016

1. Group-related information

The Supervisory Board approved the results for the first half year to 30 June 2016 on 26 August 2016.

Neways Electronics International N.V. is a company founded and with its head offices in the Netherlands and the shares in said company are traded publicly (ticker: NEWAY). Its registered office is in Eindhoven, and its effective place of establishment is in Son. Neways Electronics International N.V. and its subsidiaries together form the Group. The Group is an international one-stop provider of advanced and integrated electronic components, combinations of same and systems for the industrial electronics sector.

2. Accounting policies used in drawing up the interim results

The consolidated interim figures have been drawn up on the basis of the International Financial Reporting Standards (IFRS) and in accordance with IAS 34 (interim reporting). The consolidated interim results should be viewed in conjunction with the Group financial statements for 2015. The policies applied in the valuation and determination of the results are the same as those used in the financial statements for 2015, with the exception of the first application of new and amended IFRS standards and IFRIC interpretations. The application of said revised standards and interpretations had no impact on the Group's shareholders equity or results.

The contents of this interim report have not been audited.

3. Business segments

The Group's long-term strategy is focused on strengthening its position as a one-stop provider of customer-specific industrial and professional electronic components, combinations of components and systems for the Electronic Manufacturing Services (EMS) market. The intensive collaboration and clear communication between the various Neways operating companies enables the Group to provide customers in this market with the optimum level of service, with the added benefit that contacts with customers run via a single contact point.

Neways' Western European operating companies play a vital role in the execution of the corporate strategy as a one-stop service provider. Both in terms of customer contact and geographically, these companies operate in close proximity to their customers. The operating companies in Eastern Europe and Asia focus primarily on the production of larger, less complex, stable series with the aim of realising cost savings for customers. The majority of the production contracts come from their sister companies in Western Europe.

The continuous improvement of internal cooperation at every level of the organisation is essential to serve customers as one homogeneous, integrated group of companies, with shared quality control policies, a recognisable business culture and a unified presentation of the Group's vision.

Decision-making at Group management level is based on the management's own assessments and direct communications with all the parties involved. Financial management is based on consolidated information. This means that Neways does not recognise segmentation as meant under IFRS 8.

This half year report has not been audited.

4. Taxes

The tax burden for the first half of 2016 amounts to 24.1% (first half year of 2015: 15.2%) and consists for the most part of corporate income tax due on the fiscal profit realised in the Netherlands, at the current tax rate of 25%. The tax burden over the in Germany realised profit over the first half year of 2016 is fully compensated by the valuation of a tax liability over the loss compensation at the German subsidiaries.

5. Goodwill impairment test

Neways conducts impairment tests on its goodwill annually (as per 31 December), or more frequently if any events or changes in circumstances indicate that the carrying value may have suffered impairment. The recoverable value of goodwill is determined on the basis of the enterprise value. The assumptions made in the calculation of the value of the future cash flows of any cash flow generating unit are outlined in the 2015 financial statements.

When assessing impairment indicators, the Group takes into account such factors as the ratio of its stock market capitalisation to its carrying value. As per 30 June 2016, the Group's stock market capitalisation was higher than the carrying value of its shareholders equity.

6. Equity

6.1 Issuance of ordinary shares

In the scope of the applicable share option scheme for Management Board members and a selected group of other officers 5,000 ordinary shares were issued following the exercise of share options (2015: 87,500). The options were exercised at an average price of € 4.09 per share (2015: € 6.77 per share).

6.2 Dividend paid

Amounts x € 1,000	30 June	
	2016	2015
Determined and paid out in the first half		
Dividend on ordinary shares:		
Final dividend 2015: € 0.11 (2014: € 0.25)	1,254	2,746

7. Financial liabilities

The fair value of all the Group's financial instruments approximates their carrying value.

8. Provisions

In the first half of 2016, Neways took up € 0.5 million of the restructuring provision of € 2.1 million formed as per 31 December 2015 for adjustments in the organisation of Neways Micro Electronics en Neways Cable & Wire Solutions.



9. Transactions with related parties

The table below shows the total amount in transactions with related parties for the first half of 2016 and 2015:

Amounts x € 1,000		Sales to	Purchases/services from	Due from	Due to
Entity with significant influence on the Group:					
VDL Groep	2016	6,421	1,120	2,583	761
	2015	5,249	1,545	1,851	743
Key Group personnel:					
	2016		159		
	2015		158		

Outstanding balances are not covered by collateral securities, are non-interest bearing and are settled in cash.