

## PRESS RELEASE

### Annual results

## Neways posts higher turnover and results in 2016

**Son (the Netherlands) – 3 March 2016** – Neways Electronics International N.V. (Euronext: NEWAY) ('Neways' or the "Company"), today announced its results for the full year ending 31 December 2016.

### OPERATIONAL HIGHLIGHTS

- Record net turnover of € 393.2 million and an improvement in normalized operating result from €10.1 million to € 12.7 million
- "Up to the next level" firmly anchored in organisation, advances according to plan
- Clear progress made in procurement, organisation adjustment of operating companies NCWS and NME completed and development activities further expanded

### KEY FIGURES

€ mln unless otherwise stated	<b>FY-16</b>	<b>FY-15</b>	<b>Δ</b>
Net turnover	<b>393.2</b>	374.1	+5.1%
Order book (at year-end)	<b>191.3</b>	167.6	+14.2%
Gross margin <sup>1)</sup>	<b>153.8</b>	147.9	+4.0%
Normalized operating result <sup>2)</sup>	<b>12.7</b>	10.1	+26.4%
Operating result	<b>11.8</b>	5.9	+98.8%
Net income	<b>9.7</b>	3.2	+201.1%
Net cash flow	<b>2.6</b>	2.9	-/-8.5%

<sup>1)</sup> FY-15 Figures excluding restructuring charge of € 0.4 million

<sup>2)</sup> FY-15 figure excludes a restructuring charge of € 2.7 million and PPA-effect (€ 1.4 million); FY-16 excludes PPA-effect of € 0.9 million. The PPA-effect relates to the 2014 Bus Group acquisition.

### FINANCIAL HIGHLIGHTS

- Net turnover of € 393.2 million, up 5.1% year-on-year and primarily driven by Automotive, Semiconductor, and Defence sectors
- Order intake increased by 10.1% year-on-year, mainly due to new orders in Automotive and Semiconductors. Order book stood at € 191.3 million, compared to € 167.6 million at year-end 2015
- Gross margin up 4.0% year-on-year to € 153.8 million on the back of higher activity level; relative margin impacted by increasing demand for box built systems and related higher levels of materials, partly offset by procurement savings
- Normalized operating result came in at € 12.7 million, up 26.4% year-on-year driven by better capacity utilisation, stricter operational control and positive impact of organisational adjustments
- Net income came in at € 9.7 million versus € 3.2 million in 2015 mainly as result of top line growth and efficiency improvements and supported by a one-off tax revaluation of € 1.2 million
- 2016 Proposed dividend of € 0.34 per share, versus € 0.11 in 2015, reflecting a pay-out ratio of 40%

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## CEO STATEMENT

Huub van der Vrande, CEO: “We saw continued good top line growth throughout the year and ended with better than anticipated fourth quarter sales and order intake. This proves our strong client proposition as a trusted development and technology partner. Our normalized operating result increased 26% to € 12.7 million and net income tripled to € 9.7 million. These positive developments reflect the strategic reform at Neways and the first concrete results of our operational improvement initiatives under our “Up to the next level” program. In 2016 we focussed on group-wide business processes by strengthening the coordinating role of the holding across various disciplines such as logistics and procurement. We will continue to further execute our strategy to improve our customer intimacy, technological leadership and operational efficiency. All this is done to ensure the following objective: to position Neways as the logical technology and product life cycle partner.”

## FINANCIAL AND OPERATIONAL REVIEW

€ mln unless otherwise stated	<b>FY-16</b>	<b>FY-15</b>	<b>Δ</b>
Net turnover	<b>393.2</b>	374.1	+5.1%
Order book (at year-end)	<b>191.3</b>	167.6	+14.2%
Order intake (incl. internal sales)	<b>458.8</b>	416.8	+10.1%
Book-to-bill (ratio)	<b>1.06</b>	1.03	+2.9%

The 5.1% net turnover increase was fully organic. Order intake was sound during the year and particularly strong in the fourth quarter, resulting in a 14.2% increase in the order book to € 191.3 million and a slightly higher book-to-bill ratio of 1.06. The increase in the order book and book-to-bill was largely due to new orders in Automotive and Semiconductor and benefitted from a strong intake and higher activity level in development projects.

<b>Net turnover - sector breakdown</b>			
€ mln unless otherwise stated	<b>FY-16</b>	<b>FY-15</b>	<b>Δ</b>
Industrial	<b>143</b>	142	+0.7%
Automotive	<b>97</b>	88	+10.2%
Semiconductor	<b>73</b>	67	+9.0%
Medical	<b>56</b>	57	-1.8%
Defence	<b>12</b>	9	+33.3%
Other	<b>12</b>	11	+9.1%
<b>Total</b>	<b>393</b>	374	+5.1%

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

€ mln unless otherwise stated	<b>FY-16</b>	<b>FY-15</b>	<b>Δ</b>
Gross margin	<b>153.8</b>	147.9	+4.0%
Normalized operating result	<b>12.7</b>	10.1	+26.4%
Margin	<b>3.2%</b>	2.7%	

The gross margin came in 4.0% higher on the back of the increase in net turnover. Relative to net turnover, gross margin slightly decreased to 39.1%. Demand for more complex box-built systems continued to grow, which in turn led to an increase in the level of required material components. This was partly offset by the first results from our supply chain improvement initiatives which have led to reduction of the number of suppliers and improvement of purchase conditions.

Operating expenses increased by 2.4%, mainly as a consequence of higher activity levels which required more use of flexible staff in production across the group and additional costs related to enhancements in the organization to improve the centrally coordinated processes. These cost increases were partly offset by the improvements in operational execution and the savings from

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completed organisational adjustments at two operating companies. Furthermore the 2015 operating expenses were unfavourable impacted by the subsequent acquisition integration costs of BuS Group. The normalized operating result came in 26.4% higher at € 12.7 million, reflecting a margin of 3.2%, an improvement of 5 basis points.

€ mln unless otherwise stated	<b>FY-16</b>	<b>FY-15</b>	<b>Δ</b>
Financial expenses (net)	<b>2.1</b>	2.1	2.4%
Tax rate	<b>13.2%</b>	22.5%	
Net income	<b>9.7</b>	3.2	+201.1%
Earnings per share (€)	<b>0.85</b>	0.28	+200.7%

Financial expenses remained almost flat in the period under review. The expenses were unfavourably affected by higher average outstanding loans due to the higher activity level, currency differences and the costs incurred for the group refinancing. This was partly offset by € 5.9 million of debt repayments during the year, which carried higher interest rates.

The tax rate decreased to 13.2% in 2016, compared with 22.5% in 2015, following tax adjustments prior years. Besides net result was positively impacted by a one-off revaluation of a tax credit of € 1.2 million.

Net income and earnings per share tripled versus 2015 and came in at € 9.7 million and € 0.85 per share respectively.

## DIVIDEND

Neways proposes a cash dividend of € 0.34 per share for the 2016 year to be approved by the shareholders at the upcoming Annual General Meeting. The proposed dividend represents an increase of over 209.1% versus the 2015 dividend of € 0.11 per share and a pay-out ratio of 40%, which is consistent with Neways' dividend policy. The dividend will be payable as from April 28<sup>th</sup>, 2017.

## FINANCIAL CONDITION

€ mln unless otherwise stated	<b>FY-16</b>	<b>FY-15</b>	<b>Δ</b>
Operating cash flow	<b>10.6</b>	7.4	+43.4%
Capex	<b>-7.6</b>	-4.5	+68.1%

Operating cash flow came in at € 10.6 million, a € 3.2 million or 43% improvement, mainly due to higher operating income and partly offset by payments from (restructuring) provisions.

Net working capital increased to € 64.4 million, up from € 59.4 million at year-end 2015. Both inventories and receivables increased partly offset by higher payables due to the higher activity levels and in particular the strong sales and order intake in the fourth quarter of 2016. In the course of the year, Neways initiated measures to structurally reduce and more effectively control inventory levels of which the first results are expected to become visible in 2017. Compared to 2015 days inventory outstanding (DIO) improved from 81 to 79 days. Days sales outstanding (DSO) increased from 36 to 38 days due to the strong last quarter of the year. DSO is supported by the use of supplier finance programmes for a number of larger OEM clients, encouraging faster payments. Neways has managed to retain the level of outstanding accounts payable despite the higher activity levels.

Capex was above last year level and was primarily related to replacement investments in equipment and tooling, the implementation of the new group ERP system and automotive readiness investments in China. Return on invested capital came in at 14.7% compared to 11.7% in 2015.

Net cash flow amounted to € 2.6 million and was positively impacted by the higher result, but was more than offset by increased working capital and payments from provisions.

	<u>YE-16</u>	<u>HYE-16</u>	<u>YE-15</u>
Net debt / EBITDA	1.5	2.0	1.9
Interest coverage	6.8	9.5	4.9
Solvency <sup>1</sup>	44.6%	41.7%	42.6%

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

Net debt amounted to € 30.0 million at year-end 2016, down 4.8% versus year-end 2015, largely due to debt repayments. EBITDA over the last twelve months (LTM) increased by 18.5% to € 20.0 million versus € 16.9 million. As a result, Net debt / EBITDA came in at 1.5, a clear improvement compared with year-end 2015. Interest coverage clearly improved on the back of enhanced profitability.

Equity was up 11.9% at € 78.9 million, from € 70.6 million at year-end 2015. Solvency improved to 44.6% at year-end 2016, compared with 42.6% at year-end 2015 and 41.7% at end-June 2016.

In the fourth quarter of 2016, Neways arranged a new broader credit facility of in total € 57.5 million which replaced the three-year facility with ING and ABN Amro. With the new agreement, equity is to reach at least € 50.0 million in 2016 and € 55.0 million in 2017 and 2018. Additionally, LTM EBITDA over the last twelve months (LTM) should be at least € 10.0 million. The group facility offers more favourable conditions and provides strength and flexibility in the covenants to pursue the company's growth strategy and operational improvement programme going forward. Additionally, this new agreement assures Neways a financing structure that fits the company characteristics and results on balance in lower interest expenses.

## OUTLOOK

Neways will continue with the roll out of its group-wide improvement programme "Up to the next level" in 2017. While it is recognized that the geo economic circumstances remain uncertain, the order book is at a relatively high level when compared to the same period last year.

Based on the strategic progress made in 2016 and the current order book, Neways expects to record a higher net turnover and operating result for the full year 2017 than in 2016.

## ENDS

## 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, 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 31 December 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](http://www.newayselectronics.com)

## Not for publication

## ENQUIRIES

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### **MEDIA, ANALYST & INVESTOR MEETING**

A combined media, analyst and investor meeting will be held today at 11.30 CET at Novotel City Amsterdam, Europaboulevard 10 in Amsterdam. The slide deck will be available for download via [www.newayselectronics.com](http://www.newayselectronics.com).

### **ANNUAL REPORT**

Today, Neways published its annual report for the twelve months ending 31 December 2016. The annual report is available online at [www.newayselectronics.com](http://www.newayselectronics.com)

### **IMPORTANT DATES**

3 March 2017 (today)	Publication annual results 2016
18 April 2017	Publication trading update
18 April 2017	Annual General Meeting
29 August 2017	Publication semi-annual results 2017

### **HOME MEMBER STATE**

Neways announces that the Netherlands is its Home Member State for purposes of the EU Transparency Directive.

### **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.	2016	2015
<b>Turnover</b>	<b>393,2</b>	<b>374,1</b>
Costs of materials	-239,4	-226,7
Change in work in progress and finished products	0,1	0,5
<b>Gross margin</b>	<b>153,9</b>	<b>147,9</b>
<b>Operating expenses</b>		
Personnel costs	107,9	102,4
Depreciation and amortization tangible and intangible fixed assets	7,3	6,9
Other operating expenses	26,0	28,5
<b>Total operating expenses</b>	<b>141,2</b>	<b>137,8</b>
<b>Normalized operating result</b>	<b>12,7</b>	<b>10,1</b>
Financial expenses	-2,1	-2,1
<b>Result from ordinary activities before taxes</b>	<b>10,6</b>	<b>8,0</b>
Taxation on ordinary activities	-1,4	-1,8
<b>Result from ordinary activities after taxes</b>	<b>9,2</b>	<b>6,2</b>
Extraordinary expenses	-0,9	-4,1
Taxes extraordinary expenses	0,2	1,1
Valuation tax liability on loss compensation Germany	1,2	0,0
<b>Net result</b>	<b>9,7</b>	<b>3,2</b>

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## Consolidated Balance Sheet

Amounts x € mln.	31-12- 2016	31-12- 2015
<b>Assets</b>		
<b>Fixed assets</b>	<b>52.0</b>	<b>53.4</b>
Tangible fixed assets	34.2	34.8
Intangible fixed assets	13.5	14.1
Deferred tax assets	4.3	4.5
<b>Current assets</b>	<b>136.1</b>	<b>123.7</b>
Inventories	86.3	81.6
Receivables	48.5	39.9
Corporate income taxes	0.1	0.6
Cash and cash equivalents	1.2	1.6
<b>Total assets</b>	<b>188.1</b>	<b>177.1</b>
<b>Liabilities</b>		
<b>Group equity</b>	<b>78.9</b>	<b>70.6</b>
<b>Long-term liabilities</b>	<b>12.0</b>	<b>20.2</b>
Interest bearing loans	5.3	11.1
Provisions	0.6	0.9
Pension and long service awards liabilities	5.3	4.9
Deferred tax liabilities	0.8	3.3
<b>Short-term liabilities</b>	<b>97.2</b>	<b>86.3</b>
Bank overdrafts	19.9	10.8
Interest bearing loans	5.9	11.2
Trade creditors and other payables	63.3	55.4
Taxes and social security contributions	7.2	6.7
Corporate income tax	0.3	0.1
Provisions	0.6	2.1
<b>Total assets and liabilities</b>	<b>188.1</b>	<b>177.1</b>

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## Consolidated Cash Flow Statement

Amounts x € mln.	2016	2015
<b>Cash flow from operating activities</b>		
Results before tax	9.7	3.9
<i>Adjustments for:</i>		
Depreciation and amortization	8.2	8.3
Costs granted staff options	0.1	0.1
Finance costs	2.1	2.0
Interest paid	-1.8	-1.9
Change in provisions	-1.4	2.3
Received (paid) corporate income taxes	-1.4	-1.7
Changes in working capital *)	-4.9	-5.6
<b>Total **)</b>	<b>10.6</b>	<b>7.4</b>
<b>Cash flow from investment activities</b>		
Investments in intangible fixed assets	-1.4	-1.3
Investments in tangible fixed assets	-6.2	-3.2
Sale of discontinued operations	-0.4	0.0
<b>Total **)</b>	<b>-8.0</b>	<b>-4.5</b>
<b>Cash flow from financing activities</b>		
Returns from interest bearing loans	0.0	0.1
Repayments of interest bearing loans	-11.1	-8.3
Use of bank overdrafts	9.1	4.7
Returns from options exercised	0.3	0.4
Dividends paid to shareholders	-1.3	0.0
<b>Total</b>	<b>-3.0</b>	<b>-3.1</b>
<b>Change in cash and cash equivalents</b>		
	<b>-0.4</b>	<b>-0.2</b>
Net exchange rate differences	0.0	0.0
Cash and cash equivalents as per 1 January	1.6	1.8
<b>Cash and cash equivalents as per 30 June</b>	<b>1.2</b>	<b>1.6</b>
<b>*) Changes in working capital</b>		
Inventories	-4.7	-2.2
Accounts receivables	-8.6	-3.0
Trade creditors and other liabilities	8.4	-0.4
	<b>-4.9</b>	<b>-5.6</b>
<b>**) Net cash flow</b>	<b>2.6</b>	<b>2.9</b>

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## Statement of Changes in Group Equity

Amounts x € mln.	2016	2015
<b>Balance as per 1 January</b>	<b>70.6</b>	<b>66.0</b>
Unrealised results	-0.4	0.7
Net result	9.7	3.2
Exercised share options	0.2	0.6
Issuance share options	0.1	0.1
Dividends	-1.3	0.0
<b>Balance on 31 December</b>	<b>78.9</b>	<b>70.6</b>

## Additional data

Amounts x € mln.	31-12-2016	31-12-2015
Operating result in % of turnover *)	3.2	2.7
Net result in % of turnover *)	2.5	0.9
Total equity in % of balance total	44.2	42.6
Average number of employees	2,565	2,593
<b>Per ordinary share in €</b>		
Operating result	1.11	0.89
Net result	0.85	0.28
Total equity	6.89	6.19
Dividends	0.34	0.11
Number of outstanding shares x 1.000	11,459	11,401

\*) Excluding exceptional charges and PPA