

**PRESS CONFERENCE / ANALYSTS MEETING**

**DATE: TODAY, TUESDAY 2 MARCH 2010**

**TIME: 13.00 CET**

**LOCATION: Citigate First Financial - Assumburg 152a - AMSTERDAM**

## **P R E S S   R E L E A S E**

**NEWAYS ELECTRONICS INTERNATIONAL N.V.**

**ANNUAL RESULTS 2009**

**Number of pages: 10**

### **Neways sees recovery after loss-making year**

**Operating result positive again in last quarter; recovery order intake continues in first months of 2010**

**SON (the Netherlands), 2 MARCH 2010 – NEWAYS ELECTRONICS INTERNATIONAL N.V. (Neways) (Euronext: NEWAY) recorded a net loss of € 4.6 million excluding exceptional charges in 2009. The loss was recorded primarily in the first half of the year, in which Neways was faced with an unprecedented drop in demand due to the economic crisis. A recovery in demand from September onwards and the cost saving measures and reorganisations the company effected led to a moderately positive operating result in the final quarter of 2009. The order portfolio at year-end 2009 stood at € 56.0 million, a rise of 7% from end-June 2009. The first two months of 2010 showed a further increase in order intake.**

**Key figures**

<b>€million</b> (unless otherwise stated)	<b>2009</b>	<b>2008</b>	<b>Change</b>
<b>Net turnover</b>	<b>188.4</b>	<b>242.8</b>	<b>(22.4%)</b>
<b>Gross margin</b>	<b>77.4</b>	<b>99.5</b>	<b>(22.2%)</b>
<b>Operating result</b> (excluding exceptional charges)	<b>(4.0)</b>	<b>5.9</b>	<b>NM</b>
<b>Net result</b> (excluding exceptional charges)	<b>(4.6)</b>	<b>3.1</b>	<b>NM</b>
<b>Net result</b>	<b>(5.7)</b>	<b>(0.5)</b>	<b>NM</b>
<b>Net earnings per share</b> (in €)	<b>(0.59)</b>	<b>(0.05)</b>	<b>NM</b>

**Turnover and order portfolio**

Gross turnover dropped to € 206.3 million in 2009, down 22.8% from the previous year. Net turnover fell by 22.4% to € 188.4 million, which means internal turnover was in line with the previous year.

The decreases in turnover were due to a drop in demand across all activities. Demand lagged particularly in the first half of the year, with the semiconductor and automotive sectors hit the hardest. Turnover in other sectors was also under pressure, although the medical, telecommunications and defence sectors proved less sensitive to economic fluctuations. As from September, there was a notable recovery in demand from the semiconductor and automotive sectors. The situation in the other sectors remained volatile, but was positive on balance.

#### Net turnover per market sector

Amounts in € mln.	2009	%	2008	%	2007	%
Industrial	64	34	82	34	84	30
Medical	58	31	66	27	73	26
Semiconductor	27	14	41	17	75	27
Automotive	15	8	20	8	17	6
Defence	11	6	15	6	13	5
Telecom	10	5	12	5	8	3
Other	3	2	7	3	11	3
<b>Total</b>	<b>188</b>	<b>100</b>	<b>243</b>	<b>100</b>	<b>281</b>	<b>100</b>

The total order portfolio as of year-end 2009 stood at € 56.0 million, a slight drop of 2% compared with year-end 2008, but an increase of 7% when compared with the end of June 2009. This increase is largely due to the recovery of demand from the semiconductor and automotive sectors.

#### Gross margin

The gross margin dropped by 22.2% in 2009 to € 77.4 million (2008: € 99.5 million). It remained virtually unchanged as a percentage of turnover at 41.1%. The shift in the product mix towards activities with a higher added value, such as development, prototyping and engineering of new components and systems, continued in 2009. During the course of the year, Neways started new development projects in close cooperation with its customers. These may form the first steps towards new production and complete product life cycle management orders. Due in part to the fact that the expansion of these activities should be seen partly as an investment in the development of reputation and track record, this did not have an immediate visible impact on margins in the past year.

#### Operating expenses

Due to the economic crisis and the associated sharp drop in demand, in 2009 Neways continued to implement and further intensified the cost-saving measures introduced at the end of 2008. As a result of these measures, the number of FTEs was reduced by around 174 (9%) in the past year. A large part of the reduction was due to the downsizing of the flexible part of the workforce. Employee expenses were down 15.1% at € 58.5 million. The other costs, including housing, production, sales and consultancy costs were down 10.2%, excluding exceptional charges.

The operating expenses include a € 1.5 million (gross) exceptional charge for restructuring costs, which related to the merger of the subsidiaries Neways Electronic Assemblies and Neways Industrial Systems in Son. The annual cost savings are estimated at € 1.5 million.

The cost savings programmes and reorganisations implemented in 2009 have resulted in a total cost saving of € 12 million, with around € 4 million of this realised in the second half of the year. This led to a reduction in the breakeven net turnover level to € 195 million at year-end 2009, from € 220 million.

#### Depreciations

At € 4.7 million for the financial year 2009, depreciations were virtually unchanged from 2008.

#### Operating result

The operating result excluding extraordinary charges came in at a loss of € 4.0 million, compared with a profit of € 5.9 million in 2008. The operating result in the second half of 2009 was a loss of € 0.9 million, compared with a loss of € 3.1 million in the first half of the year. After four loss-making quarters, the operating result for the final quarter of 2009 was slightly positive again.

#### Financing expenses

Financing expenses were € 1.1 million, down 39.9% from 2008 as a result of lower interest rates and a reduced average debt position.

#### Net result and earnings per share

The net result including the exceptional charges for restructuring was a loss of € 5.7 million, compared with a loss of € 0.5 million in 2008. The net result per share was € -/- 0.59 in 2009, from € -/- 0.05 in 2008. The total number of ordinary outstanding shares was unchanged at 9,644,208 at year-end 2009.

#### Dividend

In view of the realised net loss, the General Meeting of Shareholders of Neways will be asked to approve a proposal that no dividend be paid over the past financial year.

#### Total equity and solvency ratio

As a result of the net loss, equity was reduced by 12.3% to € 40.5 million (2008: € 46.2 million). The reduction - on balance - of the equity and a realised balance sheet reduction of 10% through reduced inventories and restricted investments led to a solvency ratio (equity / total assets) of 44.2% at year-end 2009, compared with 45.3% at year-end 2008. Corrected for deferred tax claims, goodwill and other intangible fixed assets, the solvency ratio came in at 41.5% and was therefore well within the minimum target of 35%.

#### Net debt

Interest-bearing, long-term liabilities and short-term liabilities in total increased by € 2.1 million to € 1.1 million and € 10.8 million respectively. After deducting cash and cash equivalents, this results in a net debt of € 11.2 million at year-end 2009, compared with € 9.4 million at year-end 2008.

As a result of the economic crisis, Neways did not comply as per 31 December 2008 with the provision in the credit agreement which stipulates a minimum interest coverage ratio of 1.5. The banks granted a waiver for this. In addition and in anticipation of difficult market conditions in 2009, the existing credit agreement was reviewed in early 2009. The credit facility on the current account was reduced to € 25 million and the surcharge factor on the interest payment was increased to Euribor + 2.0%. The banks have granted a further waiver until 31 December 2010 for non-compliance with the interest coverage ratio and the debt/EBITDA ratio (maximum 3) as per 31 December 2009. The banks will conduct periodic assessment in 2010 on the basis of results and cash flow development.

#### Working capital

The working capital utilisation (inventories plus accounts receivable minus trade debts and other accounts payable) was reduced considerably, particularly in the second half of the year. As per year-end 2009, working capital was down 10% at € 36.2 million, compared with € 40.0 million at year-end 2008.

Measured in days of turnover, inventories stood at 67 days (2008: 76 days). The turnover rate is higher due to the recovery of demand in the final months of 2009. Neways aims to achieve a turnover rate of inventories of 60 days. The number of outstanding accounts receivable days stood at 52 at year-end 2009 (year-end 2008: 55 days). As of year-end 2009, the total provision for doubtful debts was € 0.4 million (year-end 2008: € 0.4 million).

#### Net cash flow and investments

The net cash flow (net profit plus depreciation corrected for investments and changes in provisions and working capital) was only slightly negative despite the net loss and came in at a negative € 1.8 million in 2009 (2008: € 6.5 million positive). The first half of 2009 saw a strongly negative cash flow of minus € 9.9 million, while the second half showed a positive cash flow of € 8.1 million. This was aided by the strong reduction of the working capital in the second half of the year and a relatively conservative investment policy.

Partly because Neways has modern premises and production facilities, the company was able to keep investment levels deliberately low in the past year. The investments made were primarily replacement investments, targeted expansion investments in testing equipment, the fitting of the new and larger premises of Neways Wuxi in China and the combination of Neways Industrial Systems and Neways Electronics Assemblies. Total investments in tangible and intangible assets came in at € 3.5 million (2008: € 6.5 million).

### Key operational developments

The restructuring and combination of Neways Industrial Systems and Neways Electronic Assemblies was completed in the course of the third quarter of 2009. The combined organisation will continue operations under the name Neways Industrial Systems and will still specialise in the assembly of printed circuit boards and the development and testing of complete electronic modules and systems. The cooperation of Neways Industrial Systems with Neways Technologies has been further intensified to create an improved proposition for advanced one-stop-provider solutions.

The total number of employees (in FTEs) had been reduced at year-end 2009 by 9% to 1,722, from 1,946. This is partly related to the reorganisation implemented at Neways Electronic Assemblies, the combination with Neways Industrial Systems and the reduction of the flexible workforce throughout the entire Neways organisation. The number of employees in Western Europe was 1,115 at year-end 2009, down 5% from 1,177 at year-end 2008. The total number of employees in Eastern Europe and China was 657, around 37% of the total Neways workforce. This is a reduction of 15% compared with 2008.

Neways made good progress with the further reduction of the number of suppliers in 2009. Neways increasingly works with preferred suppliers to obtain better purchasing conditions. The number of suppliers was reduced by 12% to around 750 in 2009. Another initiative with regard to procurement that was developed further in 2009 was the expansion of component purchasing in Asia. Initially, this was limited to the purchasing by local Neways operations in China. But in the past year good progress was made towards delivery by local Asian suppliers on a broader scale within Neways. In this context, Neways is looking for those suppliers who can meet Neways' strict requirements in terms of quality and delivery reliability. Component purchasing in Asia was still limited in 2009, but is expected to increase in the years to come.

As large customers, such as Original Equipment Manufacturers (OEMs), are increasingly relocating their activities to Asia, there is growing demand for support production in China. To further benefit from this trend, one of the Chinese subsidiaries, Neways Wuxi, moved to larger and more modern premises in the financial year under review. Following the expansion of the production facilities from 4500 m<sup>2</sup> to 7200 m<sup>2</sup>, Neways has sufficient room to meet the expected increase in demand in the coming years.

In May, the earlier announced intended acquisition of part of the activities of Bosch Security Systems (part of the Bosch-group) was called off. The rapid decline in the economic conditions resulted in a strong deterioration in sector demand, which meant there was insufficient rationale for the acquisition.

Also in May, Neways reached agreement with VDL Bus (part of the VDL Groep) about the (co-) engineering, production and supply of cable loom systems for the first 325 buses VDL Bus is building for Dubai. The initial order has a value of around € 1 million. VDL Bus is a new client for Neways. Subsequent orders could result in an annual turnover of up to € 10 million.

In September, Neways acquired the system assembly activities of Sensus (Ludwigshafen, Germany) and added these to the Neways operations in Neunkirchen. This involves the end assembly of heat meters for which printed circuit boards were already being assembled. The transaction does not involve the transfer of any employees.

### Outlook

Market developments in the final months of 2009 and early 2010 are encouraging. As a result of the recovery in demand in the semiconductor industry, which is very important to Neways, and the positive developments in the automotive industry, the order portfolio stood at € 56 million at year-end 2009, up 7% compared with the end of June 2009. In the first two months of 2010, turnover and results developed in line with the fourth quarter of 2009 and order levels increased in that period.

Although there is no broadly supported recovery of the EMS market at this time, the overall number of tenders is increasing. There were plans to introduce government-sponsored part-time unemployment at several operating companies, but these plans have been shelved due to the above developments and where necessary these locations are cautiously considering hiring extra (flexible) staff. However, we will continue to review the filling of vacancies carefully in 2010.

The market recovery is fragile, however, and Neways therefore remains cautious when it comes to the outlook for 2010. Cost savings and working capital management will continue to be key focal points in 2010. In addition, a restrictive investment policy will be maintained. Investment in 2010 will be below depreciation levels, in line with the 2009 levels. The main focus will be on replacements and upgrading of equipment and machines. In addition to these normal investments in the operations, Neways will also begin the phased replacement of the current BaaN IV system with a new ERP system at all operating companies. This will contribute to further efficiency improvements and will facilitate improved cooperation between the Neways operating companies, for instance by providing more thorough insight into the progress and management of processes. The first phase of the project is the further development of the business processes. The next phase, expected in the fourth quarter of 2010, will be the start of implementation. This implementation across the entire Neways Group will take several years and is likely to be completed at the end of 2012 or in early 2013.

Market conditions were extreme in the past year and showed that Neways' financial basis is stable. Despite the negative result over 2009, Neways maintains a strong financial position with a solvency ratio of well over 40%. Neways will continue to build on this stable basis in 2010. This will include further optimisation of the cooperation between the Neways operating companies and the promotion in the market of its one-stop-provider concept. This will mean a focus on supplying more added value for customers with the development and engineering activities and the delivery of complete box build systems. It will also mean broadening the customer base, facilitating and gaining commitment from large internationally active clients for the longer term, plus an improved distribution of the activities across cyclical (semiconductor) and less cyclical (defence, medical) market segments. In this respect, there is no need to adjust the long-term strategy. This strategy is partly based on a number of sustainable trends in the sector, which will only be accelerated by the economic crisis. Implementation of the strategy will continue, while taking into consideration the improved but still fragile outlook for 2010.

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#### **PRESS CONFERENCE / ANALYSTS MEETING**

The combined press conference / analysts meeting on the 2009 annual results will be held today at 13.00 at the offices of **Citigate First Financial, Assumburg 152a in Amsterdam.**

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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 production lifecycle (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, with quality, flexibility and time-to-market playing a crucial role. Sectors in which Neways' products are used include the semi-conductor, medical, automotive and defence industries. Neways has operating companies in the Netherlands, Germany, Slovakia and China, with a total of around 1,770 employees. In 2009, Neways booked net turnover of € 188.4 million. Neways is listed on Euronext Amsterdam (symbol: NEWAY).

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#### **Annual report 2009**

The official annual report for 2009 will be published today, 2 March 2010, on the Neways website ([www.neways.nl](http://www.neways.nl)).

**Financial calendar 2010**

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|---------------------------------------|-----------------|
| - Publication annual report           | 2 March 2010    |
| - General Meeting of Shareholders     | 23 March 2010   |
| - Publication interim trading update  | 28 April 2010   |
| - Publication 2010 first-half results | 25 August 2010  |
| - Publication interim trading update  | 3 November 2010 |
| - Publication 2010 annual results     | 2 March 2010    |

**Addenda:**

- Consolidated profit & loss account
- Consolidated balance sheet
- Consolidated cash flow statement
- Statement of changes in equity of parent company
- Additional data

Neways Electronics International N.V.

<b>Consolidated Profit and Loss Account</b>
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Amounts in € mln.	2009	2008
<b>Turnover</b>	<b>188.4</b>	<b>242.8</b>
Costs of materials	-110.2	-144.3
Movement in work and progress and finished products	-0.8	1.0
<b>Gross margin</b>	<b>77.4</b>	<b>99.5</b>
Employee expenses	58.5	68.8
Depreciation intangible and tangible fixed assets	4.7	4.4
Other expenses	19.7	24.9
<b>Total operating expenses</b>	<b>82.9</b>	<b>98.1</b>
<b>Operating result</b>	<b>-5.5</b>	<b>1.4</b>
Financial expenses	-1.0	-1.8
<b>Result before tax</b>	<b>-6.5</b>	<b>-0.4</b>
Taxes	0.8	-0.1
<b>Net result</b>	<b>-5.7</b>	<b>-0.5</b>
Attributable to:		
- Holders of equity instruments in the parent company	-5.7	-0.5
- Minority interests	0	0
	<b>-5.7</b>	<b>-0.5</b>



Neways Electronics International N.V.

## Consolidated Balance Sheet

Amounts in € mln. as of 31 December	2009	2008
<b>Assets</b>		
<b><i>Fixed assets</i></b>		
Tangible fixed assets	14.5	15.9
Intangible fixed assets	1.5	1.8
Deferred tax assets	3.0	2.1
<b><i>Current assets</i></b>		
Inventories	38.4	47.1
Accounts receivable	33.5	34.9
Cash and cash equivalents	0.7	0.3
<b>Total assets</b>	<b>91.6</b>	<b>102.1</b>
<b>Liabilities</b>		
Equity	40.5	46.2
Minority interests	0.0	0.0
<b><i>Total equity</i></b>	<b>40.5</b>	<b>46.2</b>
<b><i>Long-term liabilities</i></b>		
Interest bearing loans	1.1	1.2
Provisions	0.3	0.6
Pension liabilities	3.3	3.5
<b><i>Short-term liabilities</i></b>		
Bank overdrafts	9.9	7.5
Interest bearing loans	0.8	1.1
Trade creditors and other short-term payables	30.2	33.8
Provisions	0.6	3.0
Other	4.9	5.2
<b>Total liabilities</b>	<b>91.6</b>	<b>102.1</b>



Neways Electronics International N.V.

## Consolidated Cash Flow Statement

Amounts in € mln.	2009	2008
<b>Cash flow from operating activities</b>		
Result before tax	-6.5	-0.4
<i>Adjustments for:</i>		
Depreciation	4.7	4.4
Costs employee options granted	0.1	0.1
Finance costs	1.0	1.8
Interest expense paid	-1.0	-1.8
Movements in provisions	-0.7	0.5
Corporate income tax paid	-1.4	-0.5
Movements in working capital *)	5.2	8.7
<b>Total **)</b>	<b>1.4</b>	<b>12.8</b>
<b>Cash flow from investment activities</b>		
Acquisition of activities	0.0	-0.1
Investments in intangible fixed assets	-0.1	-0.1
Investments in tangible fixed assets	-3.3	-6.4
Divestments of tangible fixed assets	0.2	0.3
<b>Total **)</b>	<b>-3.2</b>	<b>-6.3</b>
<b>Cash flow from financing activities</b>		
Revenues from interest bearing loans	0.9	0.0
Redemptions of interest bearing loans	-1.2	-4.3
Withdrawals from bank overdrafts	2.5	2.4
Dividend distributed to holders of ordinary shares	0.0	-4.4
Revenues from exercise of options	0.0	0.1
<b>Total</b>	<b>2.2</b>	<b>-6.2</b>
<b>Movements in cash and cash equivalents</b>	<b>0.4</b>	<b>0.3</b>
Net currency exchange differences	0.0	-0.2
Cash and cash equivalents as of 1 January	0.3	0.2
<b>Cash and cash equivalents as of 31 December</b>	<b>0.7</b>	<b>0.3</b>
<b>*) Movements in working capital</b>		
Inventories	8.6	6.7
Receivables	1.5	13.7
Trade creditors and other accounts payable	-4.9	-11.7
	<b>5.2</b>	<b>8.7</b>
<b>**) Net cash flow</b>	<b>-1.8</b>	<b>6.5</b>

Neways Electronics International N.V.

## Statement of Changes in Equity Parent Company

Amounts in € mln.	2009	2008
<b>Balance as of 1 January</b>	<b>46.2</b>	<b>48.9</b>
Exchang rate differences	-0.1	0.5
Net result	-5.7	-0.5
Conversion bond loan	0.0	1.5
Exercise of share options	0.0	0.1
Issuance of share options	0.1	0.1
Share dividend	0.0	-4.4
<b>Balance as of 31 December</b>	<b>40.5</b>	<b>46.2</b>

## Additional Data

	12/31/2009	12/31/2008
<b>Amounts in € mln.</b>		
Operating result in % of turnover *)	-2.1	2.4
Net result in % of turnover *)	-2.4	1.3
Total equity as % of balance sheet total	44.2	45.3
Average number of employees	1,783	2,168
<b>Per ordinary share in €</b>		
Operating result	-0.57	0.14
Net result	-0.59	-0.05
Total equity	4.20	4.79
Dividend	0.00	0.00
Number of outstanding shares x 1,000	9,644	9,644

\*) Excluding exceptional charges