

**NEWAYS ELECTRONICS INTERNATIONAL N.V.**  
**HALF YEAR REPORT 2020**

## **Course of events in the first half year**

### **Highlights**

- Net turnover declines 8.1% to € 243.0 million driven by sharp decline in demand due to temporary closures at automotive clients, in April and May in particular; net turnover in June at comparable level to 2019;
- Order book declines by 26.4% compared to end-June 2019 and 13.4% compared to end-December 2019, largely due to sharp decline in order intake from automotive sector; order intake at semiconductor remains strong;
- Gross margin drops to 36.6%, primarily due to dip in demand for high-grade automotive components and systems;
- No production interruptions at own facilities, thanks to timely action in response to COVID-19 outbreak.

### **Operational developments**

Eric Stodel, CEO: "COVID-19 has had a significant impact on the development of Neways' results. The drop in demand for automotive products, driven in particular by the complete production shutdown at a number of our clients in April and May, resulted in an 8% decline in our turnover compared with last year. Closer cooperation in the supply chain and strong cost and cash management enabled us to limit the impact of COVID-19 on our business operations and we still managed to record a positive result in an extremely dynamic and challenging six months.

In the coming period, we will remain focused on managing costs, investments and working capital to protect our profitability and cash position. We are also working on plans to structurally reduce costs and improve capacity utilisation in line with today's reality. In addition, we are continuing to focus on the roll-out of our refined strategy. We will continue to strengthen our position in the market as a System Innovator and Product Life Cycle Partner, increase our added value and continue to improve our organisational structure and operational processes through our ONE Neways transformation process. This will enable us to operate more efficiently and effectively as a group in the coming years."

### **Financial data**

Net turnover declined by 8.1% to € 243.0 million, largely due to the lower turnover in the automotive sector. The order book declined by 26.4% to € 252.3 million, compared with end-June 2019, and by 13.4% compared with end-December 2019, largely due to weak demand from the automotive sector. Moreover, the order intake in the first half of 2019 was relatively high as a result of strong demand for e-mobility solutions from the automotive sector.

Net turnover per market sector shows that in addition to the decline in the automotive sector, there was also a slight decline in the industrial sector, which was offset by an increase in turnover in the semiconductor sector and other sectors.

The gross margin declined by 12.4% to € 89.0 million and came in at 36.6% as a percentage of net turnover (H1 2019: 38.4%). This decline was largely the result of a negative mix effect due to the strong decline in turnover in high-grade Automotive components and systems. Neways' reduced its operational cost base by € 6.1 million to € 87.0 million, partly due to a reduction in the number of temporary

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employees and the use of reduced working hours in Germany. The workforce declined by 101 FTEs in the first six months of 2020 and by 280 FTEs compared with June 2019.

The financing expenses were down € 0.3 million as a result of one-off costs in 2019 for the expansion and extension of the credit facility and as a result of the lower credit uptake in 2020. The net result came in at € 0.8 million. The number of outstanding ordinary shares at end-June 2020 stood at 12,171,537, which resulted in earnings per share of € 0.06.

Net cash flows increased strongly to € 26.0 million, primarily due to a deferral of tax payments and social security payments facilitated by the Dutch and German authorities in response to the COVID-19 outbreak. This involved a total amount of € 21.9 million. Excluding this effect, the net cash flow was a positive € 4.2 million due to the temporary cessation of investments and additional cost reductions. In the second half of the year, Neways will repay the financial support previously obtained under the Dutch NOW employment preservation scheme and also pay the deferred tax payments.

Solvency increased to 40.2% at the end of the first half of 2020

### **Risk factors and uncertainties with potential effect in the second half year 2020**

The Neways reporting system and the key risks identified are explained in the risk and risk management section of the 2019 annual report, on pages 47-50. The risks described also apply to the second half of 2020. In addition, the company's exposure to these risks has increased due to COVID-19 as is also apparent from the operational developments. The risk monitoring of credit risk and inventory risk is sharpened.

### **Outlook**

The uncertain economic circumstances as a result of the COVID-19 pandemic are creating volatility in our markets and make it difficult to predict the outlook for the second half of the year.

Based on the recovery in turnover we saw in June and the current state of our order book, we see the first signs of recovery in Automotive. We will continue to prioritise costs and cash management in the coming period. At the same time, we are working on plans to structure parts of the organisation more efficiently and adapt cost levels and capacity utilisation to today's reality.

In the longer term, underlying technology trends and the markets in which Neways is active remain positive and offer ample opportunities for growth. In strategic terms, we are focusing on strengthening our position as a System Innovator and Product Life Cycle Partner in selected growth markets and on increasing the added value. Combined with the continued roll-out of the ONE Neways strategic transformation process aimed at improving the organisational structure and working processes, this should result in a structurally higher level of profitability in the coming years.

### **Directors' statement regarding financial reporting**

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

- The 2020 half year financial statements give a true and fair view of the assets, liabilities and financial position as at 30 June 2020 and of the results for the first half year of 2020 of Neways Electronics International N.V. and the Group companies included in the consolidation;
- The 2020 half year report of the Board of Directors gives a true and fair view of the position as at 30 June 2020, the course of events in the first half of 2020 of Neways Electronics International N.V. and its Group companies included in the consolidation and the half year report describes the material risk facing the company.

Son (the Netherlands), 27 August 2020

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Eric Stodel – CEO  
Paul de Koning – CFO  
Adrie van Bragt – COO

## Consolidated Statement of Realised and Unrealised Results

Amounts x € 1,000	first half year 2020	first half year 2019
Turnover sale of goods	242,954	264,529
Costs of materials	-153,978	-162,936
Personnel costs	-66,767	-71,661
Depreciation and amortisation	-7,197	-7,103
Special impairments on trade receivables and contracts	52	-188
Other operating expenses	-13,125	-14,177
<b>Operating result</b>	<b>1,939</b>	<b>8,464</b>
Financing costs	-1,219	-1,460
<b>Result before taxes</b>	<b>720</b>	<b>7,004</b>
Taxes (6)	59	-1,946
<b>Net result</b>	<b>779</b>	<b>5,058</b>
<b>Unrealised results</b>		
<i>To reclassify in the profit and loss account in following periods:</i>		
Exchange rate differences foreign subsidiaries	72	10
<b>Unrealised results after taxes</b>	<b>72</b>	<b>10</b>
<b>Total realised and unrealised results after taxes</b>	<b>851</b>	<b>5,068</b>
<b>Result per share (in €)</b>		
- Net result	0.06	0.42
- Diluted net result	0.06	0.41

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## Consolidated Balance Sheet

Amounts x € 1,000	30/06/2020	31/12/2019
<b>Assets</b>		
<b>Fixed assets</b>		
Tangible fixed assets	73,106	78,293
Intangible fixed assets (7)	7,833	8,540
Financial fixed assets	5,369	3,466
	<b>86,308</b>	<b>90,299</b>
<b>Current assets</b>		
Inventories	98,848	100,643
Contract assets	13,567	13,567
Trade and other receivables	65,279	70,903
Cash and cash equivalents	1,922	2,240
	<b>179,616</b>	<b>187,353</b>
<b>Total assets</b>	<b>265,924</b>	<b>277,652</b>
<b>Equity and liabilities</b>		
Issued and paid-up capital	6,086	6,075
Share premium reserve	45,946	46,313
Retained earnings	54,115	53,000
Translation reserve	773	701
<b>Equity attributable to holders of ordinary shares</b>	<b>106,920</b>	<b>106,089</b>
<b>Long-term liabilities</b>		
Interest bearing loans (9)	27,698	29,519
Provisions	550	575
Pension and jubilee provision	5,396	5,426
Deferred tax liabilities	1,414	1,346
	<b>35,058</b>	<b>36,866</b>
<b>Short-term liabilities</b>		
Bank overdrafts (9)	12,096	36,545
Interest bearing loans (9)	5,309	5,379
Trade and other payables	75,324	82,860
Taxes and social security premiums	27,185	7,224
Corporate income tax (6)	3,266	1,634
Provisions	766	1,055
	<b>123,946</b>	<b>134,697</b>
<b>Total equity and liabilities</b>	<b>265,924</b>	<b>277,652</b>

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## Consolidated Cash Flow Statement

<b>Amounts x € 1,000</b>	first half year 2020	first half year 2019
<b>Operating activities</b>		
Results before taxes	720	7,004
<i>Adjustments for:</i>		
Depreciation of tangible fixed assets	6,490	6,238
Amortisation of intangible fixed assets	707	865
Costs granted staff options	12	27
Costs granted performance shares	-32	175
Financing costs	1,219	1,460
Change in provisions and pension liabilities	-344	-504
Changes in working capital *)	20,462	-11,352
	<b>29,234</b>	<b>3,913</b>
Other changes:		
Interest paid	-1,219	-1,444
Corporate income tax paid	0	-2,049
<b>Cash flow from operating activities</b>	<b>28,015</b>	<b>420</b>
<b>Investment activities</b>		
Investments in intangible fixed assets	0	-65
Investments in tangible fixed assets	-1,921	-8,324
<b>Cash flow from investing activities</b>	<b>-1,921</b>	<b>-8,389</b>
<b>Financing activities</b>		
Repayments of interest bearing loans	0	-44
Payments regarding lease obligations	-1,891	-2,193
More (less) use of bank overdrafts	-24,449	14,782
Dividends paid to holders of ordinary shares	0	-5,815
Revenues from exercise of options	0	398
<b>Cash flow from financing activities</b>	<b>-26,340</b>	<b>7,128</b>
<b>Change in cash and cash equivalents</b>	<b>-246</b>	<b>-841</b>
Net exchange rate differences foreign currencies	-72	-134
Cash and cash equivalents as per 1 January	2,240	1,066
<b>Cash and cash equivalents as per 30 June</b>	<b>1,922</b>	<b>91</b>
<b>*) Changes in working capital</b>		
Inventories	1,795	1,139
Trade and other receivables	5,624	-9,513
Trade and other payables	-6,918	-5,121
Taxes and social securities premiums	19,961	2,143
	<b>20,462</b>	<b>-11,352</b>

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## Consolidated Statement of Changes in Group Equity

<b>Amounts x € 1,000</b>	Issued and paid capital	Share premium reserve	Retained earnings	Exchange rate differences reserve	Total Equity
<b>Balance as per 1 January 2019</b>	<b>5,979</b>	<b>44,326</b>	<b>50,669</b>	<b>658</b>	<b>101,632</b>
Result for the period			5,058		5,058
Unrealised results				10	10
Total realised and unrealised results	0	0	5,058	10	5,068
Exercise share options (8)	24	374			398
Issuance share options		27			27
Granting of performance shares		175			175
Issuance of shares	65	1,035			1,100
Dividends (8)			-5,815		-5,815
Total transactions with owners of shares in the Group	89	1,611	-5,815	0	-4,115
<b>Balance as per 30 June 2019</b>	<b>6,068</b>	<b>45,937</b>	<b>49,912</b>	<b>668</b>	<b>102,585</b>
<b>Balance as per 1 January 2020</b>	<b>6,075</b>	<b>46,313</b>	<b>53,000</b>	<b>701</b>	<b>106,089</b>
Result for the period			779		779
Unrealised results				72	72
Total realised and unrealised results	0	0	779	72	851
Exercise share options (8)					0
Issuance share options		12			12
Granting of performance shares		-379	347		-32
Issuance of shares	11		-11		0
Dividends (8)					0
Total transactions with owners of shares in the Group	11	-367	336	0	-20
<b>Balance as per 30 June 2020</b>	<b>6,086</b>	<b>45,946</b>	<b>54,115</b>	<b>773</b>	<b>106,920</b>

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## **Notes to the consolidated first half year results**

### **1. Group-related information**

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. Statement of compliance**

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in accordance with IAS 34, 'Interim Financial Reporting'. The consolidated interim financial statements should be read in conjunction with the Group financial statements for the full year 2019. The applied standards for valuation and result determination are equal to the standards applied in the annual accounts 2019, with the exception of the first application of new and revised IFRS-standards and IFRIC-interpretations. They do not contain all information that is required under a complete IFRS financial statement. An explanation is given, however, for specific events and transactions that are of significant importance for gaining insight into the changes in the financial position and performance since the last financial statements.

The Supervisory Board approved the interim financial statements as at 30 June 2020 on 26 August 2020. The contents of this interim report have not been audited.

### **3. New standards and interpretations**

Application of the revised standards and interpretations had no material effect on the equity nor the result of the Group.

### **4. Important judgements, estimations and assumptions made in accounting**

During the preparation of the interim financial statements of the Group the management has made judgements and estimations which are of influence on the application of financial accounting principles and the reported proceeds, charges, assets and liabilities. The actual results could deviate from these estimations.

Important judgements and estimations made by the management regarding the application of financial accounting principles are equal to those described in the latest annual accounts.

### **5. Operational segments**

The Group's long-term strategy is aimed at strengthening its position as a one-stop provider for client-specific industrial and professional electronic components, combinations and systems for the Electronic Manufacturing Services (EMS) market. Intensive collaboration and clear communications between the various Neways operating companies ensure that Neways' customers in this market are serviced as effectively as possible, and that our clients have a single contact point for their dealings with the Group.

Neways' Western European operating companies play an important part in promoting Neways' strategy as a one-stop provider. Those operating companies are close to Neways' clients, both in terms of their dealings with clients and geographically. Neways' operating companies in Eastern Europe and Asia focus primarily on the production of larger, less complex and stable series, with a view to achieving cost advantages for our clients. Most of this production is commissioned by sister companies in Western Europe.

Continual improvement of intra-Group cooperation at every levels of the organisation is a vital factor in ensuring that the Group operates as a homogeneous, integrated group of businesses with cohesive quality standards, recognisable cultural aspects and a shared vision.

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The decisions made by the Group's management are based on its own judgements and direct communications with all parties involved. Financial control is based on consolidated information. Neways therefore operates in just one segment as meant in IFRS 8.

## 6. Taxes

The tax benefit for the first half of 2020 is caused by tax rate differences between the work areas of the Group, which deviate from the corporate income tax rate of 25% in the Netherlands.

## 7. Testing for impairment of goodwill

Neways tests for impairment of goodwill annually (as per 31 December), or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill may be impaired. The recoverable value of goodwill is determined at the higher of value in use and the direct realisable value, less sales costs. The assumptions used to calculate the value of the future cash flows of the cash-generating units were included in the 2019 financial statements.

The impairment indicators the Group assesses for potential impairment include the ratio of the stock market capitalisation to the carrying amount. As at 30 June 2020, the Group's stock market capitalisation was lower than the carrying amount of the Group's equity as a result of which an impairment test has taken place. The goodwill impairment test has not led to an impairment.

## 8. Equity

### 8.1 Issuance of ordinary shares

In the context of the current share option scheme for the members of the Board of Directors and a select group of key positions, Neways issued no shares (2019: 47,500 ordinary shares) in connection with the exercise of share options (2019: 15,000 options). In the context of the applicable performance shares plan for members of the Board of Directors and a select group of key officers, 22,003 ordinary shares were issued in the first half of 2020 as a result of the final vesting of 2017 awarded performance shares. As per 30 June 2020, the total number of outstanding ordinary shares stood at 12.171.537.

### 8.2 Dividend paid

Amounts x € 1,000	30 June	
	2020	2019
<b>Adopted and paid out in the first half of 2020</b>		
Dividend on ordinary shares:		
Final dividend for 2019: None (2018: € 0.48)	0	5,815

## 9. Financial obligations

The fair value of all the Group's financial instruments is close to the carrying amount.

## 10. Related-party transactions

The table below shows the total amount of the related-party transactions in the first half of 2020 and 2019:

Amounts x € 1,000	Sales to	Purchases/Services from	Owed by	Owed to
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Entity with significant  
impact on the Group:

VDL Groep	2020	14,293	1,716	6,027	959
VDL Groep	2019	12,636	2,243	5,426	822

Open balances are not covered by collateral, are not interest bearing and are settled in cash. Neways has not extended or received any guarantees for the claims on or debts of the related parties.

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