

PRESS RELEASE

Semi-annual results

NEWAYS RECORDS LOWER TURNOVER AND PROFIT DUE TO SHARP DIP IN DEMAND IN AUTOMOTIVE

Son (the Netherlands), 27 August 2020 – Neways Electronics International N.V. (Euronext: NEWAY) (“Neways”; the “Company”) today announces the results for the first half (H1) ended 30 June 2020.

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 disruptions in production at own facilities, thanks to timely action in response to COVID-19 outbreak;
- Normalised operating result declines to € 2.2 million, due to lower turnover and margin, partly offset by cost reductions.

KEY FIGURES

€ mln unless otherwise stated	H1-20	H1-19	Δ
Net turnover	243.0	264.5	-8.1%
Order book (at end-June)	252.3	342.6	-26.4%
Gross margin	89.0	101.6	-12.4%
EBITDA	9.1	15.6	-41.4%
Normalised operating result ¹⁾	2.2	8.9	-74.8%
Operating result	1.9	8.5	-77.2%
Net profit	0.8	5.1	-84.7%
Net cash flow	26.0	-8.1	na

1) Excluding PPA effect of € 0.3 million (H1 2019: € 0.4 million). The PPA effect is related to the BuS Group acquisition in 2014.

MESSAGE FROM THE CEO

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

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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 AND OPERATIONAL OVERVIEW

€ mln unless otherwise stated	H1-20	H1-19	Δ
Net turnover	243.0	264.5	-8.1%
Order book (at end-June)	252.3	342.6	-26.4%
Order intake	204.2	303.6	-32.7%
Book-to-bill (ratio)	0.84	1.15	-26.8%

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 – by market sector			
€ mln unless otherwise stated	H1-20	H1-19	Δ
Industrial	78	83	-6.0%
Semiconductor	82	76	+7.9%
Automotive	51	76	-32.9%
Medical	27	27	0.0%
Other	5	3	+66.7%
Total	243	265	-8.1%

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.

€ mln unless otherwise stated	H1-20	H1-19	Δ
Gross margin	89.0	101.6	-12.4%
Normalised operating result	2.2	8.9	-74.8%
<i>Margin</i>	0.9%	3.4%	2.5 bps

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 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. On balance, the normalised operating result declined by 74.8% to € 2.2 million.

€ mln unless otherwise stated	H1-20	H1-19	Δ
Financing expenses (net)	1.2	1.5	-18.7%
Tax rate	0.0%	27.0%	27,0 bps
Net result	0.8	5.1	-84.7%
Earnings per share (€)	0.06	0.42	-84.8%

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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 tax rate fell to 0% in the first half of 2020 as a result of the capitalisation of tax loss carry-forwards in Germany. 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.

FINANCIAL CONDITION

€ mln unless otherwise stated	H1-20	H1-19	Δ
Operating cash flow	27.9	0.4	+6880.3%
Investments	-1.9	-8.5	-77.8%

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.

Net working capital had declined to € 75.2 million at end-June 2020, compared with € 112.4 million at the end of June 2019. Inventories fell by 13.3% compared to end-June 2019. Accounts receivable also declined slightly despite higher sales levels in June. The inventory turnover rate, measured in days inventory outstanding (DIO) stood at 92 days, versus 82 days at end-June 2019 and versus 72 days at year-end 2019. The number of days sales outstanding (DSO) stood at 35 days, five days lower than at end-June 2019, while the payables outstanding stood at 48 days, one day lower than at end-June 2019.

	End-H1-20	End-2019	End-H1-19
Net debt / EBITDA ²⁾	0.6	2.0	1.4
Interest coverage	3.3	5.2	7.7
Solvency	40.2%	38.2%	34.7%

2) Excluding IFRS 16

Net debt stood at € 10.5 million at end-June 2020, a drop of 81.4% compared with end-June 2019 and 69.4% compared with year-end 2019. At the same time, the LTM EBITDA fell by 22.4% to € 23.8 million from € 30.7 million at end-June 2019. As a result, the net debt to EBITDA ratio improved to 0.6. Interest coverage stood at 3.3 at the end of June 2020 and solvency had increased to 40.2% at the end of the first half of 2020. This means that Neways is operating well within the ratios agreed with its banks.

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, Neways is focusing on strengthening its position as a System Innovator and Product Life Cycle Partner in its selected growth markets and on increasing its 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.

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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-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 and general industry. Neways has operating companies in the Netherlands, Germany, the Czech Republic, Slovakia and China, and the United States with a total of 2,808 employees at year-end 2019. Neways recorded net turnover of € 533.4 million in 2019. Neways shares are listed on the Euronext Amsterdam stock exchange (symbol: NEWAY). www.newayselectronics.com

Not for publication

MEDIA, ANALYST & INVESTOR MEETING

Neways will hold a combined press conference / analysts' meeting regarding the half year 2019 results today, at 10.30 hours, at Crowne Plaza Hotel South, George Gershwinlaan 101 in Amsterdam. The presentation is available on Neways' corporate website. www.newayselectronics.com

INTERIM FINANCIAL REPORT

Today, Neways published its interim financial report for the first six months until 30 June 2020. This report contains regulated information as meant in article 1:1 and article 5:25d of the Dutch Financial Supervision Act (Wft). This report is available online via www.newayselectronics.com.

IMPORTANT DATES

27 August 2020 (today)	Publication half-year results 2020
29 October 2020	Publication trading update

FOR MORE INFORMATION

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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.

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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.	first half year 2020	first half year 2019	year 2019
Net turnover	243.0	264.5	533.4
Costs of materials	-154.0	-162.9	-336.8
Gross margin	89.0	101.6	196.6
Operating expenses			
Personnel costs	66.8	71.7	138.5
Depreciation and amortization tangible and intangible fixed assets	6.9	6.7	14.4
Other operating expenses	13.1	14.3	27.8
Total operating expenses	86.8	92.7	180.7
Normalized operating result	2.2	8.9	15.9
Financial expenses	-1.2	-1.5	-2.9
Result from ordinary activities before taxes	1.0	7.4	13.0
Taxation on ordinary activities	0.0	-2.0	-3.9
Result from ordinary activities after taxes	1.0	5.4	9.1
Extraordinary expenses	-0.3	-0.4	-0.8
Taxes extraordinary expenses	0.1	0.1	0.2
Net result	0.8	5.1	8.5

Consolidated Balance Sheet

Bedragen x € mln.	30/06/2020	31/12/2019	30/06/2019
Assets			
Fixed assets	86.3	90.3	92.8
Tangible fixed assets	73.1	78.3	78.4
Intangible fixed assets	7.8	8.5	9.4
Deferred tax assets	5.4	3.5	5.0
Current assets	179.6	187.4	198.6
Inventories	98.8	100.7	114.0
Receivables	78.9	84.5	84.5
Cash and cash equivalents	1.9	2.2	0.1
Total assets	265.9	277.7	291.4
Liabilities			
Group equity	106.9	106.1	102.6
Long term liabilities	35.0	36.9	37.7
Interest bearing loans	27.7	29.5	30.0
Provisions	0.5	0.6	0.5
Pension and long service awards liabilities	5.4	5.4	4.8
Deferred tax liabilities	1.4	1.4	2.4
Short term liabilities	124.0	134.7	151.1
Bank overdrafts	12.1	36.5	56.6
Interest bearing loans	5.3	5.4	4.7
Trade creditors and other payables	75.3	82.9	77.4
Taxes and social insurance premiums	27.2	7.2	8.7
Corporate income tax	3.3	1.6	2.1
Provisions	0.8	1.1	1.6
Total equity and liabilities	265.9	277.7	291.4

Consolidated Cash Flow Statement

Amounts x € mln.	first half year 2020	first half year 2019
Cash flow from operating activities		
Result before taxes	0.7	7.0
<i>Adjustments for:</i>		
Depreciation and amortisation	7.2	7.1
Costs granted performance shares	0.0	0.2
Finance costs	1.2	1.5
Interest paid	-1.2	-1.4
Change in provisions	-0.4	-0.6
Received (paid) corporate income taxes	0.0	-2.0
Changes in working capital *)	20.5	-11.4
Total **)	28.0	0.4
Cash flow from investment activities		
Investments in intangible fixed assets	0.0	-0.1
Investments in tangible fixed assets	-1.9	-8.4
Total **)	-1.9	-8.5
Cash flow from financing activities		
Payments related to lease obligations	-1.9	-2.2
More (less) use of bank overdrafts	-24.4	14.8
Returns from options exercised	0.0	0.4
Dividends paid to shareholders	0.0	-5.8
Total	-26.3	7.2
Change in cash and cash equivalents	-0.2	-0.9
Net exchange rate differences	-0.1	-0.1
Cash and cash equivalents as per 1 January	2.2	1.1
Cash and cash equivalents as per 30 June	1.9	0.1
*) Changes in working capital		
Inventories	1.9	1.2
Accounts receivable	5.6	-9.5
Trade creditors and other liabilities	13.0	-3.1
	20.5	-11.4
**) Net cashflow	26.1	-8.1

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Statement of Changes in Group Equity

Amounts x € mln.	first half year 2020	first half year 2019
Balance as per 1 January	106.1	101.6
Net result	0.8	5.1
Exercised share options	0.0	0.4
Issuance share options and performance shares	0.0	0.2
Issuance of shares through conversion of loans	0.0	1.1
Dividends	0.0	-5.8
Balance on 30 June	106.9	102.6

Additional data

Amounts x € mln.	30/06/2020	30/06/2019	31/12/2019
Operating result in % of turnover *)	0.9%	3.4%	3.0%
Net result in % of turnover	0.3%	1.9%	1.7%
Guaranteed equity in % of balance total	40.2%	35.2%	38.2%
Average number of employees	2,740	2,972	2,940
Per ordinary share in €			
Operating result *)	0.18	0.73	1.31
Net result *)	0.08	0.44	0.75
Net result	0.06	0.42	0.70
Group equity	8.78	8.45	8.73
Dividends	0.00	0.00	0.28
Number of outstanding shares x 1.000	12,172	12,135	12,150

*) Excluding exceptional charges and PPA