

PRESS RELEASE

Half-year results 2021

NEWAYS IMPROVES PROFIT ON RISING ORDER INTAKE; CONTINUED DISRUPTIONS IN SUPPLY CHAIN

Son (the Netherlands), 25 August 2021 – Neways Electronics International N.V. (Euronext: NEWAY) ('Neways'; the 'Company') today announces its results for the first half year (H1) ending on 30 June 2021.

HIGHLIGHTS

- Net turnover declines 3.8% to € 233.8 million, due in part to the downscaling of less profitable turnover and disruptions in the supply chain;
- Order book increases to € 334.4 million, up 32.6% compared with end-June 2020 and up 48.6% compared with year-end 2020, driven by a recovery in demand in the Automotive sector and continued strong demand in other market sectors;
- Order intake up by 69.0%; on top of regular growth with existing clients, Neways won multi-year orders from 13 new clients across all strategic market sectors with a total turnover value of more than € 50 million which will materialise in the coming years;
- Gross margin increases by 3.0% to € 91.7 million; rises to 39.2% from 36.6% as a percentage of turnover, due to positive mix effects;
- Normalised operating result increases to € 6.8 million from € 2.2 million, driven by improvement of the gross margin and continued cost controls;
- Net cash flow comes in at € - 6.3 million, due to higher working capital requirements and extra cash out in connection with the previously announced reorganisations and the settlement of COVID-19-related government support;
- Neways' order book is well filled and when compared with 2021 profitability is recovering in line with expectations. Regular order book growth is partly driven by market uncertainty regarding the availability of products; this has a dampening effect on recovery.

KEY FIGURES

€ million unless stated otherwise	H1-21	H1-20	Δ
Net turnover	233.8	243.0	-3.8%
Order book (at end-June)	334.4	252.3	+32.6%
Gross margin	91.7	89.0	+3.0%
EBITDA	12.2	9.1	+33.5%
Normalised operating result ¹⁾	6.8	2.2	+202.0%
Operating result	5.4	1.9	+180.3%
Net result	3.1	0.8	+297.2%
Net cash flow	-6.3	26.0	n.a.

¹⁾ Excluding PPA effect of € 0.3 million (H1 2020: € 0.3 million) and consultancy costs of € 1.1 million related to public bids. The PPA is related to the acquisition of the BuS Groep in 2014.

MESSAGE FROM THE CEO

Eric Stodel, CEO: "In the first half of 2021, we saw continued recovery of our operating result, due to the effect of the measures taken. We are on track with the transformation of our company to OneNeways. Turnover was lower than last year, partly due to disruptions in our international supply chain and our

deliberate divestment of less profitable turnover. Our order intake and order book increased strongly and we decided to tap the flexibility of certain parts of the organisation to quickly scale up to meet rising demand. We saw a recovery in demand in the Automotive sector, while demand in other sectors, such as Semiconductor, Medical and Industrial, remains strong with a pipeline of 22 prospects with a total turnover potential of more than € 120 million. This is on top of the 13 newly acquired clients divided across all our strategic market sectors with a total turnover value of more than € 50 million which will materialise in the coming years.

In the second half of 2021, we expect the materials shortages at suppliers, in particular suppliers of semiconductor components, combined with the uncertainties related to the COVID-19 Delta variant, to continue to put pressure on turnover. Nevertheless, in the coming months we expect to be able to deliver more products and innovative systems, which will help us record higher turnover than in the first half of the year. On top of this, we will also see the structural cost savings from the now completed reorganisations in Germany and the Netherlands reflected more clearly in our results. We will continue on the path we set out on last year: acting as a System Innovator, we will focus more and more expressly on delivering higher added value to our clients.”

FINANCIAL AND OPERATIONAL OVERVIEW

€ million unless stated otherwise	H1-21	H1-20	Δ
Net turnover	233.8	243.0	-3.8%
Order book (at end-June)	334.4	252.3	+32.6%
Order intake	345.1	204.2	+69.0%
Book-to-bill (ratio)	1.47	0.84	n.a.

Net turnover declined by 3.8% to € 233.8 million, partly due to the downscaling of less profitable turnover and disruptions in our supply chain.

The order book increased to € 334.4 million, up 32.6% compared to end-June 2020, and 48.6% higher than at year-end 2020, driven by a recovery in demand in the Automotive sector, a continued strong demand in other market sectors, and clients anticipating shortages in the market.

Net turnover – by market sector			
€ million unless stated otherwise	H1-21	H1-20	Δ
Industrial	66	78	-15.4%
Semiconductor	85	82	+3.7%
Automotive	58	51	+13.7%
Medical	24	27	-11.1%
Other	1	5	-80.0%
Total	234	243	-3.8%

Turnover came in higher in the Semiconductor and Automotive sectors. The Industrial sector continued to lag slightly, but did record higher turnover in the second quarter of 2021 than in the first quarter of the year. Supply chain disruptions put a brake on turnover growth across the board, while the impact differed per sector.

€ million unless stated otherwise	H1-21	H1-20	Δ
Gross margin	91.7	89.0	+3.0%
Operating expenses ²⁾	84.9	86.8	-2.2%
Normalised operating result	6.8	2.2	+202.0%
Margin	2.9%	0.9%	n.a.

2) Excluding PPA effect (€ 0.3 million) and consultancy costs related to public bids (€ 1.1 million)

The gross margin increased by 3.0% to € 91.7 million. As a percentage of turnover, the gross margin increased to 39.2% from 36.6%, largely driven by the positive mix effects and Neways' stronger focus on higher added value activities. This rise was limited by higher material and logistics costs in connection with the disruptions in the supply chain. We managed to limit the impact of these factors through strict chain management, plus close cooperation and improved agreements with our clients regarding the passing on of price increases.

Operating expenses (excluding one-off consultancy costs) fell by 2.2% to € 84.9 million. The reorganisations were largely completed in the second quarter of this year. The cost savings we realised as a result of the completed reorganisations in Germany and the Netherlands were partly offset by the lower use of the short-time work benefit (Kurzarbeit) scheme in Germany. Due in part to the reorganisation, the number of employees fell by 187 FTEs compared with June 2020 and by 75 FTEs compared with year-end 2020. The associated reorganisation provision decreased to € 3.6 million at the end-June 2021, compared to € 7.1 million at year-end. Operating expenses also included € 1.1 million in one-off consultancy costs in connection with the public bids for Neways.

The higher gross margin, combined with our continued strict costs controls, led to a recovery in profits. The normalised operating result rose to € 6.8 million from € 2.2 million, which is equivalent to an operating margin of 2.9%.

€ million unless stated otherwise	<u>H1-21</u>	<u>H1-20</u>	<u>Δ</u>
Financing expenses (net)	0.7	1.2	-44.9%
Tax rate	35.1%	0.0%	n.a.
Net result	3.1	0.8	+297.2%
Earnings per share (€)	0.25	0.06	

Financing expenses fell by € 0.5 million, as a result of lower borrowings. The tax rate rose to 35.1% due to a higher tax rate in Germany as a result of an adjustment to the tax charges from previous years. The net result came in at € 3.1 million. The number of outstanding ordinary shares stood at 12,218,634 at end-June 2021, which resulted in earnings per share of € 0.25.

FINANCIAL CONDITION

€ million unless stated otherwise	<u>H1-21</u>	<u>H1-20</u>	<u>Δ</u>
Operational cash flow	-5.5	27.9	-119.7%
Investments	-0.8	-1.9	-57.7%

Net cash flow came in at minus € 6.3 million, due to higher working capital utilisation driven by the rapidly increasing demand and disruptions in the supply chain. On top of this, we saw higher cash out in connection with the reorganisations we announced last year in Germany and the Netherlands. In the first half of this year, we also settled the (tax) payments to the government that were deferred last year in connection with the COVID-19 pandemic. Driven by our focus on cost controls, investments were in line with the investments we made in the first half of 2020.

Net working capital increased to € 80.6 million, compared with € 75.2 million at end-June 2020 and € 60.4 million at year-end 2020. Inventories increased by 0.7%, when compared with end-June 2020. Due to the rapid recovery in demand and the shortages of components in certain sectors, Neways deliberately chose to stockpile selected components to generate turnover. The inventory turnover rate, measured in days, stood at 83, compared with 92 days at end-June 2020 and compared with 69 days at year-end 2020. The number of days receivables outstanding stood at 36 days at end-June 2021, one day higher than at end-June 2020, while the number of days payables outstanding stood at 49 days, one day more than at end-June 2020.

	<u>End-H1 21</u>	<u>Year-end 20</u>	<u>End-H1 20</u>
Net debt / EBITDA ³⁾	0.6	2.0	0.6
Interest coverage	7.8	3.8	3.3
Solvency	41.3%	43.6%	40.2%

3) Excluding IFRS 16

Due to the negative cash flow, net debt (excluding lease obligations) stood at € 11.8 million, compared with € 10.5 million at end-June 2020 and € 2.6 million at year-end 2020. At the same time, the LTM EBITDA increased by 8.9% to € 26.0 million, compared with € 23.8 million at end-June 2020. As a result, on balance the net debt / EBITDA ratio remained stable at 0.6. Interest coverage stood at 7.8 at end-June 2021, while solvency had risen to 41.3% at the end of the first half of 2021.

INFESTOS PUBLIC OFFER

Infestos Sustainability B.V. has announced that its subsidiary Infestos Sustainable Solutions B.V. is planning to make a recommended public offer (the Offer) for all outstanding Neways shares at a price of € 14.55 in cash per share (*cum dividend*). The Board of Directors and Supervisory Board fully support the transaction and unanimously recommend the Offer. We expect Infestos to formally submit the Offer in September. The Offer is subject to certain customary conditions, including acquiring at least 60% (reduceable to 50.01% under certain conditions) of the outstanding shares of Neways, and is expected to complete in the second half of 2021 if successful.

A change of control upon Infestos acquiring the majority of the shares in the second half year will possibly impact recoverability of tax losses carried forward in Germany (€ 6.9 million as at 30 June 2021) and accelerate vesting of the performance shares. A change of control could also trigger repayment of the outstanding balance of the facility agreement (€ 15.5 million as at 30 June 2021), but we anticipate that the facility agreement will be continued.

On termination of the Merger Agreement by Infestos on account of, amongst others, a material breach of the Merger Agreement by Neways or in case the Merger Agreement is terminated by either Infestos or Neways pursuant to a Superior Offer that is not matched by Infestos Neways will forfeit a € 2.25 million termination fee to Infestos. On termination of the Merger Agreement by Neways on account of Infestos failing to commence the Offer on the commencement date or the settlement has not taken place on the settlement date, Infestos will forfeit a € 2.25 million termination fee to Neways.

Infestos supports Neways' strategy and is well equipped to support Neways in the expansion of its market position as a distinctive System Innovator. With Infestos as majority shareholder, Neways expects to accelerate its chosen strategy on an independent basis.

OUTLOOK

We expect our order intake to remain at a good level and our order book to remain well filled for the remainder of 2021. The demand in the Semiconductor sector remains strong and we are seeing a clear recovery in the Automotive sector. Medical and Industrial clients are also more positive in terms of their planning and projections. We are seeing more interest and demand across the board for System Innovator solutions. We continue to invest in distinctive innovative technology and expertise in system solutions, for instance in the fields of power electronics, energy conversion, Internet of Things (IoT) and data processing.

At the same time, there is still a certain amount of uncertainty regarding the duration and seriousness of the disruptions in the supply chain, which will impact our turnover growth and puts pressure on our margins due to rising purchase prices. We will continue to maximise our focus on controlling these challenges in close cooperation with our clients and our suppliers. Neways is closely monitoring the developments related to the Delta variant and the impact of these developments on the supply chain. We are also keeping a very close eye on cost levels and cash flows. In the coming months, we expect our strategic shift towards offering more high-value and innovative solutions to have a positive impact on turnover growth.



If we look further ahead, Neways is well-positioned in strategic growth sectors, with increasing demand for ever more complex electronic systems and technological innovations. By constantly adding to the depth and quality of our role as a System Innovator, we can profit from this trend and take Neways' profitability to a higher level on a structural basis.

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 Industrial. Neways has operating companies in the Netherlands, Germany, the Czech Republic, Slovakia, China and the United States, with a total of 2,598 employees at year-end 2020. Neways recorded net turnover of € 478.6 million in 2020. 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 2021 results today, at 13.00 hours, at Crowne Plaza Hotel South, George Gershwinlaan 101 in Amsterdam. A live webcast of the meeting is available via this [link](#).

INTERIM FINANCIAL REPORT

Today, Neways published its interim financial report for the first six months until 30 June 2021. This report contains regulated information as meant in article 1:1 and article 5:25d of the Dutch Financial Supervision Act (Wft) including ('The condensed consolidated interim financial statements for the six month ended 30 June 2021'). This report is available online via www.newayselectronics.com.

IMPORTANT DATES

25 Augustus 2021 (today)	Publication half-year results 2021
29 October 2021	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.

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 2021	first half-year 2020	year 2020
Net turnover	233.8	243.0	478.6
Costs of materials	-142.1	-154.0	-303.0
Gross margin	91.7	89.0	175.6
Operating expenses			
Personnel costs	65.6	66.8	127.6
Depreciation and amortization tangible and intangible fixed assets	6.4	6.9	13.8
Other operating expenses	12.9	13.1	26.3
Total operating expenses	84.9	86.8	167.7
Normalised operating result	6.8	2.2	7.9
Financial expenses	-0.7	-1.2	-2.1
Result from ordinary activities before taxes	6.1	1.0	5.8
Taxation on ordinary activities	-2.0	0.0	-2.3
Result from ordinary activities after taxes	4.1	1.0	3.5
Extraordinary expenses	-1.3	-0.3	-10.3
Taxes extraordinary expenses	0.3	0.1	2.9
Net result	3.1	0.8	-3.9

Consolidated Balance Sheet

Amounts x € mln.	30/06/2021	31-12-2020	30/06/2020
Assets			
Fixed assets	77.8	83.2	86.3
Tangible fixed assets	64.4	69.4	73.1
Intangible fixed assets	6.3	6.9	7.8
Deferred tax assets	7.0	6.9	5.4
Current assets	176.3	151.0	179.6
Inventories	99.5	82.3	98.8
Receivables	73.1	66.7	78.9
Cash and cash equivalents	3.6	2.0	1.9
Total assets	254.0	234.2	265.9
Liabilities			
Group equity	104.9	102.0	106.9
Long term liabilities	30.2	32.6	35.0
Lease liabilities	23.6	25.8	27.7
Provisions	0.0	0.0	0.5
Pension and long service awards liabilities	5.6	5.6	5.4
Deferred tax liabilities	1.1	1.2	1.4
Short term liabilities	118.9	99.6	124.0
Bank overdrafts	15.5	4.6	12.1
Lease liabilities	5.1	5.1	5.3
Trade creditors and other payables	80.3	68.7	75.3
Taxes and social insurance premiums	11.8	9.4	27.2
Corporate income tax	1.2	3.2	3.3
Provisions	5.0	8.6	0.8
Total equity and liabilities	254.0	234.2	265.9

Consolidated Cash Flow Statement

Amounts x € mln.	first half year 2021	first half year 2020	
Cash flow from operating activities			
Result before taxes	4.8	0.7	
<i>Adjustments for:</i>			
Depreciation and amortisation	6.8	7.2	
Costs awarded performance shares	0.0	0.0	
Finance costs	0.7	1.2	
Interest paid	-0.6	-1.2	
Change in provisions	-3.7	-0.4	
Received (paid) corporate income taxes	-3.9	0.0	
Changes in working capital *)	-9.5	20.5	
Total **)	-5.5		27.9
Cash flow from investment activities			
Investments in intangible fixed assets	0.0	0.0	
Investments in tangible fixed assets	-0.8	-1.9	
Total **)	-0.8		-1.9
Cash flow from financing activities			
Payments related to lease obligations	-2.9	-1.9	
More (less) use of bank overdrafts	10.9	-24.4	
Returns from options exercised	0.2	0.0	
Total	8.2		-26.3
Change in cash and cash equivalents			
		1.9	-0.3
Net exchange rate differences		-0.3	-0.1
Cash and cash equivalents as per 1 January		2.0	2.2
Cash and cash equivalents as per 30 June			
		3.6	1.8
*) Changes in working capital			
		-	
Inventories	17.2	1.9	
Accounts receivable	-6.8	5.6	
Trade creditors and other liabilities	14.6	13.0	
	-9.5	20.5	
**) Net cashflow		-6.3	26.0

Statement of Changes in Group Equity

Amounts x € mln.	first half year 2021	first half year 2020
Balance as per 1 January	102.0	106.1
Net result	3.1	0.8
Other comprehensive income	-0.3	0.0
Exercised share options	0.2	0.0
Award of performance shares	-0.1	0.0
Issuance of shares	0.0	0.0
Balance on 30 June	104.9	106.9

Additional data

	30/06/2021	30/06/2020	31/12/2020
Operating result in % of turnover *)	2.9%	0.9%	1.7%
Net result in % of turnover	1.3%	0.3%	-0.8%
Guaranteed equity in % of balance sheet total	41.3%	40.2%	43.6%
Average number of employees	2,518	2,740	2,705
Per ordinary share in €			
Operating result *)	0.55	0.18	0.65
Net result *)	0.33	0.08	0.29
Net result	0.25	0.06	-0.32
Group equity	8.59	8.78	8.38
Dividends	0.00	0.00	0.00
Number of outstanding shares x 1.000	12,218	12,172	12,174

*) Excluding exceptional charges and PPA