

Half-year figures 2018

Amsterdam, August 30th 2018

Sharing our DNA

Safe harbor statement

This presentation may include 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 presentation 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.

Agenda

- ❖ Main points
- ❖ Neways today
- ❖ Financials
- ❖ Operational
- ❖ Management agenda & outlook



Main points

Strategic and operational highlights

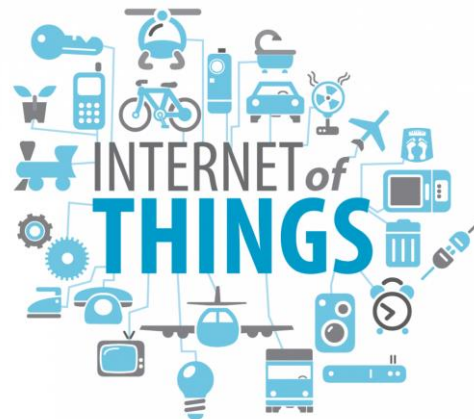
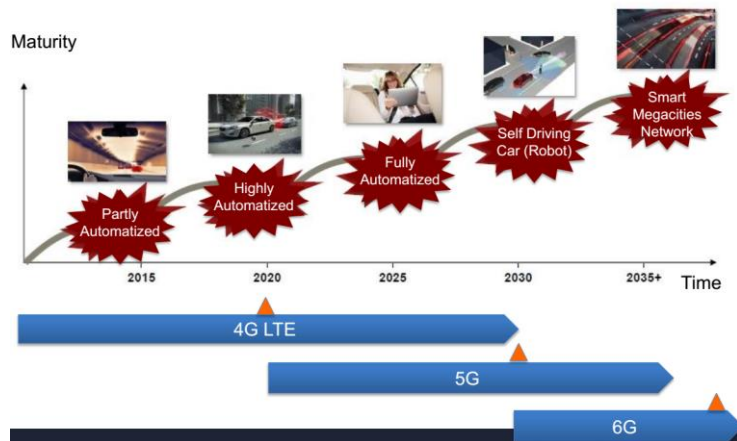
- Continued high sales growth rate driven by strong market demand, supported by “One Neways” cooperation and dedication
 - Strong increase in turnover of semicon and automotive
 - Higher order intake in all segments
 - External orderbook growth y-o-y with 38.0% to € 300.8 million in all segments, increased backlog and longer term visibility

- Operational result increases 52.8%
 - Improvement result driven by higher sales and improved operational productivity during H1
 - Electronic component shortage and organizational transformation amid high and growing market demand remain challenge for organization
 - Pressure on margin: Price pressure from supply base to be translated into pricing customers

Market outlook

- **General market trends**
 - IoT features more and more prominently in our daily lives
 - Amount of semiconductors used in cars is growing fast
 - Consumer electronics still growing which has big impact in the semicon chain
- **Main growth drivers for Neways: automotive and semiconductor**

SELF DRIVING CAR ROADMAP



Component shortages

- Strong growth in several segments, but non-disruptive

- IoT, E-mobility, global GDP increase

BUT:

Fear of double-booking

Fear of demand downfall

Consolidation of semicon companies

SO:

Still very limited ramp-up of capacity

Supplies have become tight



CURRENT EXPECTATION:

Shortages will last until in 2019

- Noting significant increase lead times for MLCC and thick film chip resistors
 - Lead times from 30 to more than 52 weeks
- Difficult to predict which components become critical
- Actions taken to mitigate shortage:
 - Communication – keep in touch with all stakeholders and align actions and expectations
 - Intensify contact with suppliers
 - Investigate alternative components for our customers

Inventory control

- **Challenges:**
 - High growth and increased orderbook
 - Reliability supply chain due to scarcity
 - Expectation of customers for more ownership by Neways
 - Ramp-up new projects with existing and new customers

- **Actions:**
 - Continued effort and focus on improving processes with integral approach
 - QLTC improvement program with suppliers further extended and intensified
 - Demand management requires extra focus given less reliable supply chain

Market Trends

- Globalization OEMs
- Increasing demand from OEMs for Life Cycle Management, early involvement and shared participation in development process of a product
- Increased electronics content in automotive and medical end products
- Strong increase electronics due to IoT, growth automotive etc driving scarcity in component market
- Volatility is a given (the only constant is change)
- Shortened product life cycles
- Increased investment levels
- Intensified cooperation in supply chain through transparency and modern communication
- Consolidation EMS market
- Transition to more regulation
- Product traceability



Neways today



Company overview

PROFILE

- Custom-made total solutions for product life cycle management of advanced and integrated electronic applications
- Active in select growth sectors of the Electronic Manufacturing Services (EMS) market
- Products range from electronic components to complete (box-build) control systems

CORE ACTIVITIES



engineering



connectivity



micro electronics



PCB assembly



system integration

KEY FIGURES

€ 247.0m

H1-18 net turnover

€ 7.2m

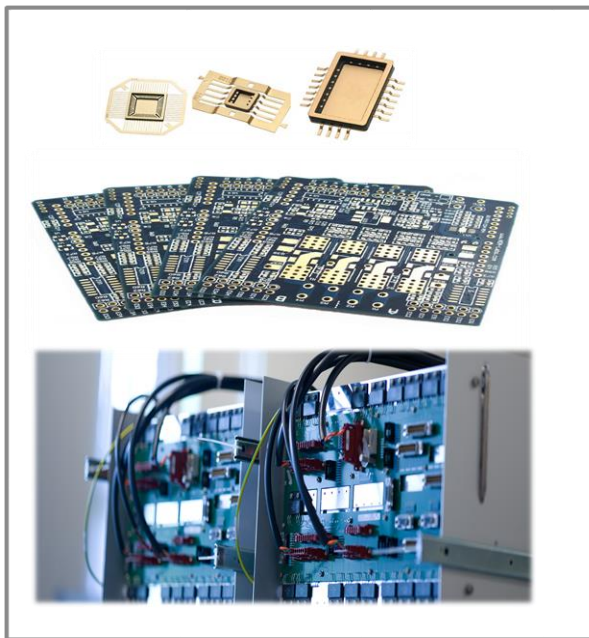
H1-18 normalized net income

2.916

H1-18 # of staff

Product portfolio and product applications

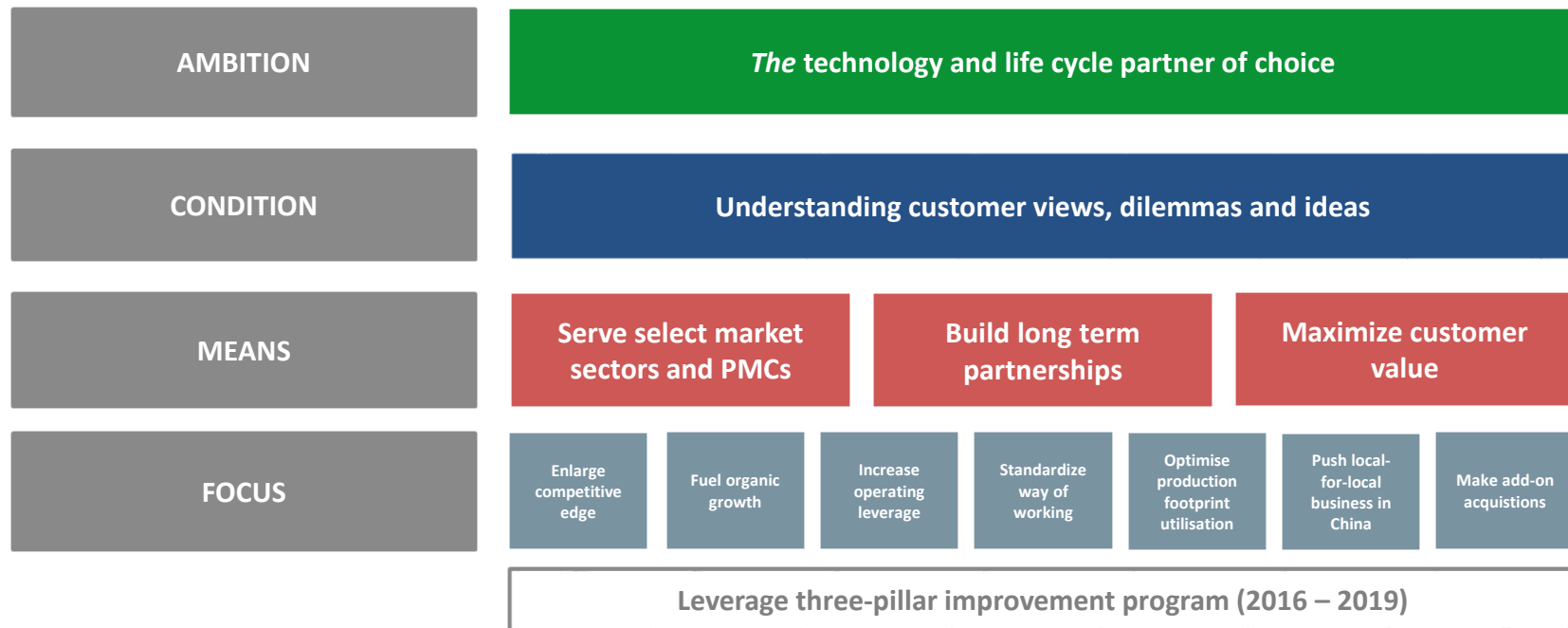
NEWAYS PRODUCTS



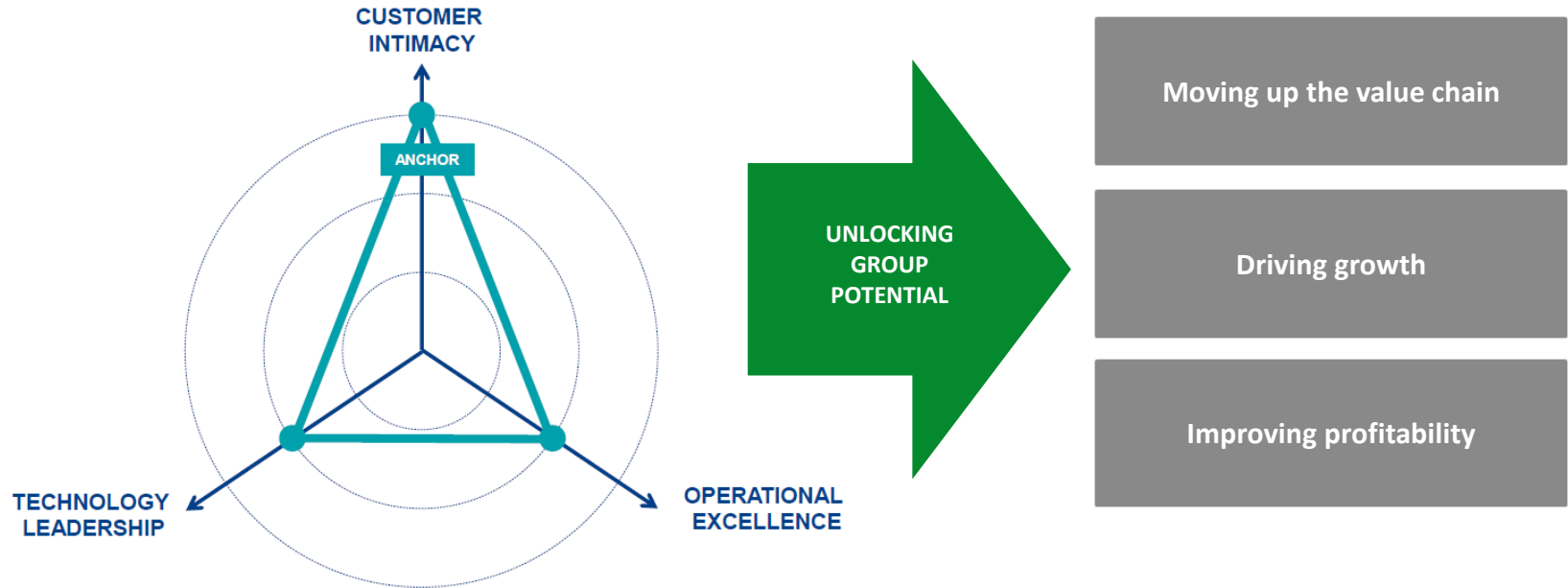
NEWAYS INSIDE



Business strategy



Three-pillar improvement program: 'Up to the next level'





Financials

Financial highlights

€ million unless stated otherwise								
	H1-18		% H1-17			H1-18		% H1-17
Revenue	247.0	↑	+15.6%		Interest coverage	10.8	↑	+3.8%
Normalized operating result	11.0	↑	+52.8%		Net debt / EBITDA	1.4	↑	-22.2%
Normalized net result	7.2	↑	+46.9%		Solvency %	39.9	↓	-5.2%
Net cash flow	-1.2	↑	+85.9%		# Employees (FTEs)	2.916	↑	+9.0%
Normalized profit per share (€)	0.60	↑	+39.5%		Equity	91.1	↑	+13.9%

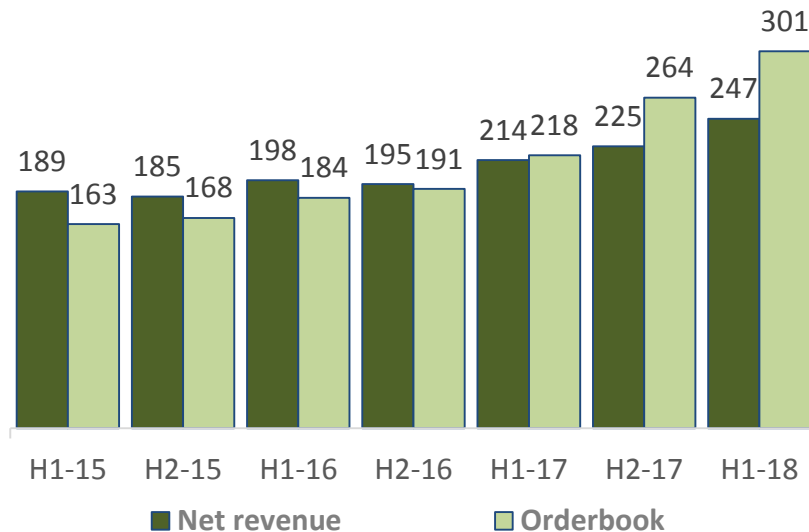
Profit & Loss Account

(€ mln)	H1-18	FY 2017	H1-17	FY 2016	FY 2015	FY 2014
Net turnover	247,0	438,7	213,6	393,2	374,1	308,6
- nominal growth in %	15,6%	11,6%	7,9%	5,1%	21,2%	16,5%
- comparable growth in %	15,6%	11,6%	7,9%	5,1%	-1,3%	-6,4%
Operating result	10,5	14,3	6,7	11,8	5,9	6,6
Normalized operating result **	11,0	15,3	7,2	12,7	10,1	9,0
Normalized net result **	7,2	10,0	4,9	9,2	6,2	5,3
Extraordinary income/expenditure	-0,4	-0,1	0,0	0,5	-3,0	1,7
Net result	6,8	9,9	4,9	9,7	3,2	7,0
Gross margin/net turnover	39,1%	39,0%	39,7%	39,1%	39,4%	40,5%
Gross margin/per employee (k€)	33,1	62,3	31,7	60,0	56,9	54,6
Operational margin **	4,5%	3,5%	3,4%	3,2%	2,7%	2,9%
Net margin **	2,9%	2,3%	2,3%	2,3%	1,7%	1,7%
EPS (€)	0,57	0,86	0,43	0,85	0,28	0,63

** excl PPA and extraordinary income/expenditure

Net turnover / Orderbook

€ mln



Net turnover – H1-18 vs H1-17

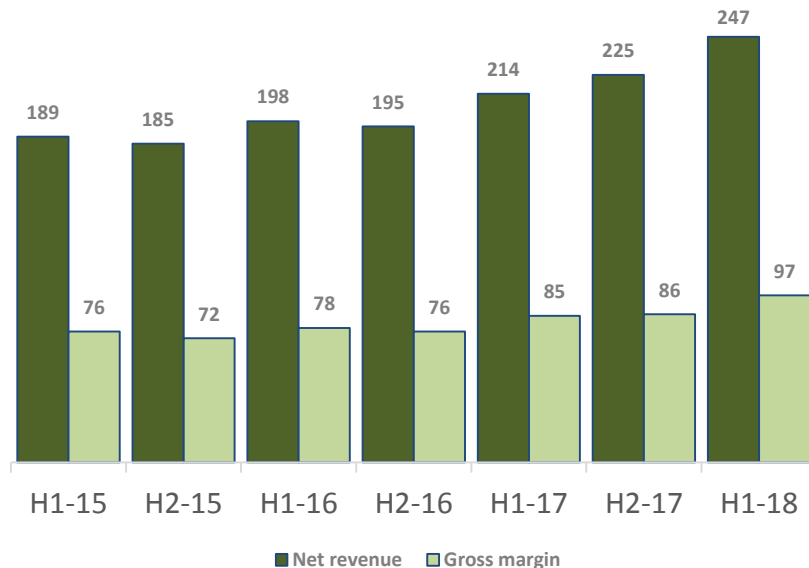
- Y-o-Y net sales growth of 15.6%
- Sales 2Q sustained high growth level 1Q
- Strong development esp. in semiconductors and automotive
- Industrial and medical stable in sales
- Development activities remained stable

Orderbook – H1-18 vs H1-17

- Orderbook (net) 38,0% growth, higher order intake in all segments
- Orderbook reflects increased long term visibility and backlog
- Orderbook starts to fill for 2019
- Book-to-Bill 1.15 vs 1.11 last year

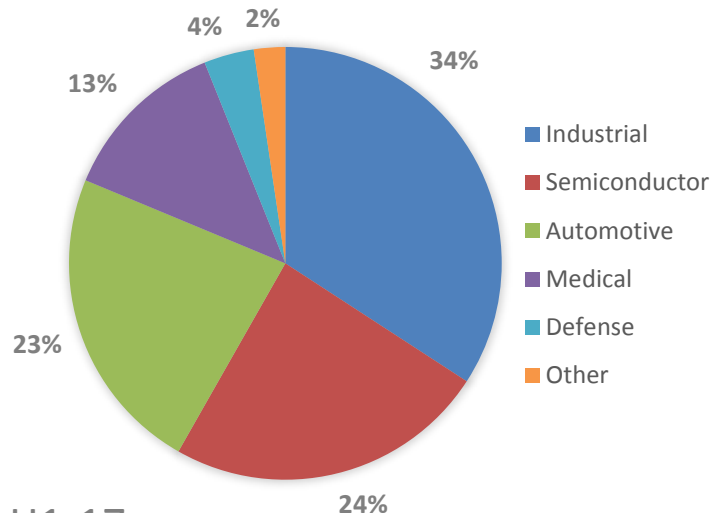
Net revenue and gross margin trends

€ mln



H1-18 vs H1-17

- Absolute Gross Margin increased 13.9%, largely driven by sales growth
- Relative margin at 39.1% vs 39.7% in 2017 caused by relatively more system building
- Relative margin decreased resulting from
 - Trend of increasing material content as consequence of more complex Box-build systems,
 - Price pressure suppliers following scarcity in market
 - Partly offset by effects supplier improvement program and higher added value products.

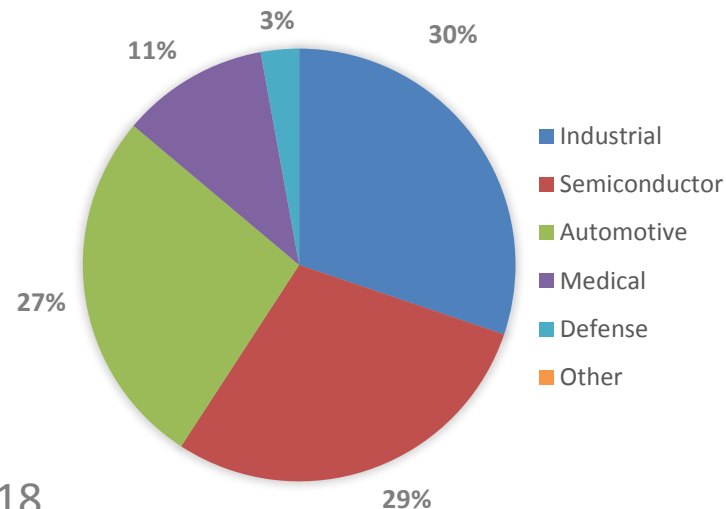


H1-17

€ mln	H1-18	H1-17	Δ (%)
Industrial	74	73	1,4%
Semiconductor	71	50	42,0%
Automotive	66	51	29,4%
Medical	27	27	0,0%
Defense	7	8	-12,5%
Other	2	5	-60,0%
Total	247	214	15,4%

H1-18 vs H1-17

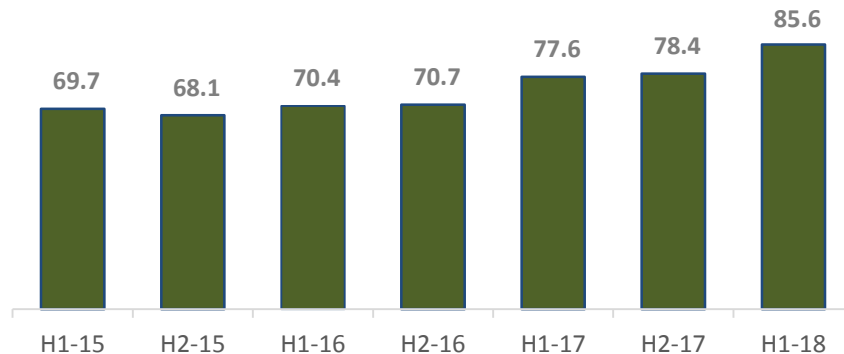
- Sales growth in semiconductors and automotive
- Semiconductor sector share increased from 24% to 29%
- Balanced spread turnover over market sectors



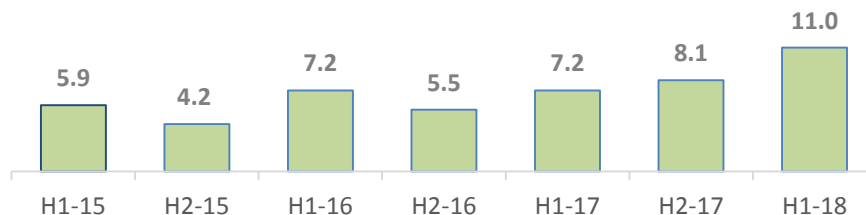
H1-18

Opex and operational income trends

Opex (€ mln)



Normalized EBIT (€ mln)



Opex H1-18 vs H1-17

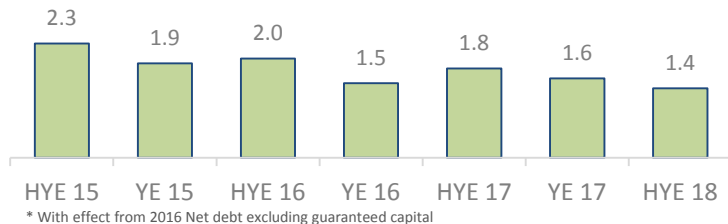
- Organization costs increased with 10.3%, relative decline from 36.3% to 34.7% of turnover
- Cost development largely driven by higher employee costs following increased activity level
- Higher activity level and scarcity component market negatively affected efficiency in the organization. The latter caused continued high inflow of staff with initial learning curve.
- Increasing organization costs lag behind margin development reflecting better productivity as a result of improved operational processes in the organization

Normalized EBIT H1-18 vs H1-17

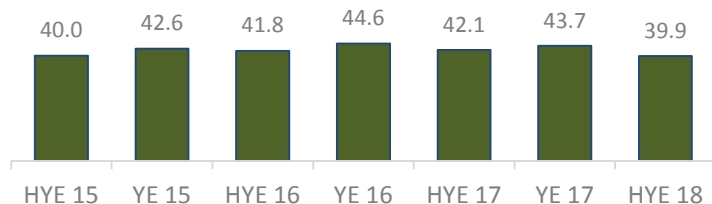
- Increased EBIT, improved margin contribution partly offset by increased costs levels

Financial condition

Net debt / EBITDA (ratio)



Solvency (Guaranteed) %

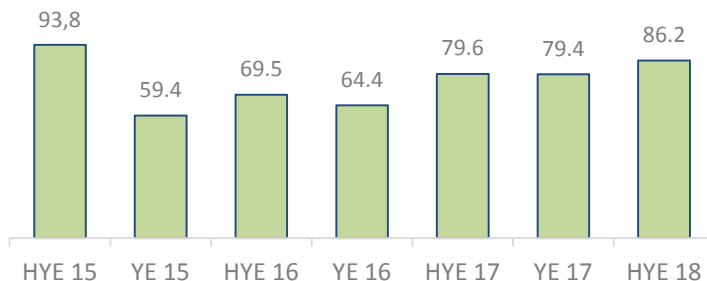


H1-18 vs H1-17

- Sound and stable financial basis with increased balance sheet total of € 231.1 million vs € 201.6 million mid 2017
- Equity increased by 13.9% to € 91.1 million vs € 80.0 million following additional realized profit, conversion convertibles (€ 3.9 million), partly offset by paid dividend (€ 4.2 million)
- The remaining outstanding convertibles amount to € 1.1 million and is part of guaranteed equity
- Net debt slightly increased by 0.8% to € 37.8 million vs € 37.5 million last year. Increased working capital largely financed by retained earnings
- 33.2% increase LTM EBITDA to € 27.3 million vs € 20.5 million
- Solvency decreased to 39.9% vs 42.1% following higher total assets (working capital)

Working capital trends

Net working capital (€ mln)



€ mln	YE15	YE16	HYE17	YE17	HYE18
Inventories	81,6	86,3	97,3	98,0	117,8
Inventory days	81	79	82	80	82*)
Debtors (trade)	38,1	47,0	50,5	51,5	56,2
Debtor days	36	38	36	36	35
Creditors (trade)	40,4	46,8	50,0	51,1	65,9
Creditor days	53	63	59	61	66

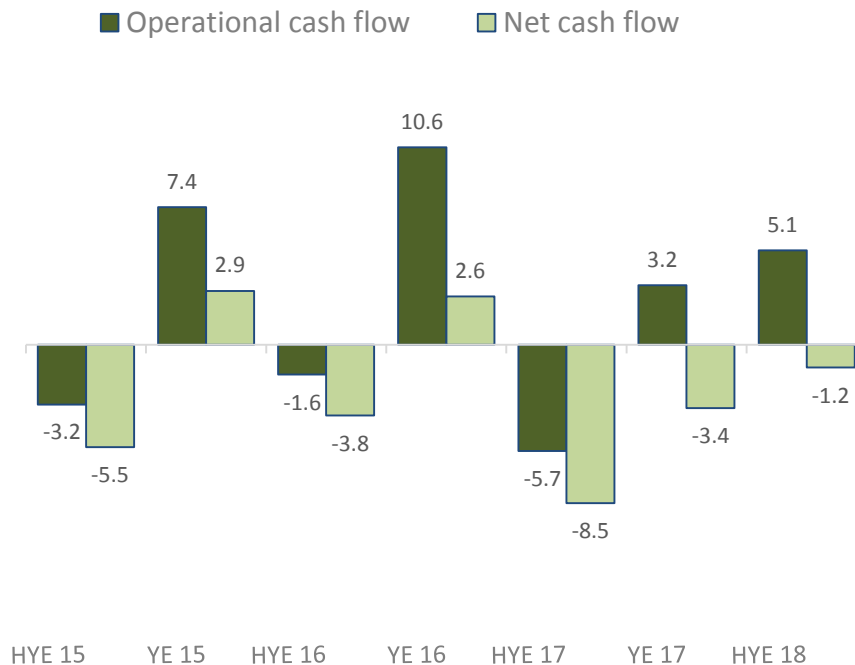
*) based on realized turnover

H1-18 vs H1-17

- € 6.6 million increase working capital largely related to:
 - Higher activity level driving inventories and debtors
 - Scarcity of materials in the market
- Inventory days increased in difficult market environment with scarcity in the component market and continued high sales growth. Actions running to improve (SMOI, tighter monitoring of stocks, supplier reduction)
- Debtors days stable, creditors days increased following increased activity level and higher inventory levels

Cash flow and capex trends

Operational and net cash flow (€ mln)



H1-18 vs H1-17

Operational

- Operational cash flow affected by higher result and lower increased working capital

Investments

- Capex increased from € 2.8 million to € 6.3 million, above depreciation level, largely related to capacity extension to increase productivity and production capacity to meet market demand

Financing

- On balance net debt slightly increased with € 0.3 million vs H1-17 following higher working capital partly offset by retained earnings

Headcount trends

Average # staff



Headcount

- Knowledge component in human resource mix increasingly important
- No. of engineers increasing, approx. 9% of total number of employees
- Higher headcount largely driven by higher activity level, productivity affected by late and insecure deliveries of material following scarcity in component market
- Eastern Europe increased headcount slightly due to activity level
- Attraction of new employees increasingly difficult, requiring more effort and inventiveness

Data per share

(€)	H1-18	2017	H1-17	2016	2015
Operating result	0,88	1,25	0,58	1,03	0,52
Net result	0,57	0,86	0,43	0,85	0,28
Dividend	na	0,35	na	0,34	0,11
Shareholders' equity	7,62	7,40	6,97	6,89	6,19
Number of issued shares (x 1.000 year-end)	11.955	11.481	11.479	11.459	11.401

Financial condition

	H1-18	2017	H1-17	2016	2015
Net debt / EBITDA ratio *)	1,4	1,6	1,8	1,5	1,9
Interest coverage ratio	10,8	10,2	10,4	6,8	4,9
Solvency (Guaranteed) %	39,9%	43,7%	42,1%	44,6%	42,6%
Equity	91,1	84,4	80,0	78,9	70,6
Solvency **)	77,0	73,1	68,0	66,1	56,9
EBITDA LTM	27,3	23,4	20,5	20,0	16,9

*) with effect from 2016 excl guaranteed capital

**) incl convertible loans and corrected for intangible assets and deferred tax assets



Operational



Initiative

Description

A	Key account management	<ul style="list-style-type: none">▪ Each Sector will embrace Key Account Management programme, aimed at growing existing clients and targeting new accounts
B	Capabilities throughout the life-cycle	<ul style="list-style-type: none">▪ Building capabilities throughout the life-cycle, to become “I-EMS provider”
C	Bottom-line improvement	<ul style="list-style-type: none">▪ Continue with focus on strategy to improve the bottom-line results of the OC’s
D	One Neways	<ul style="list-style-type: none">▪ Lean harmonization of business processes to improve OC integration in the Group and become one coherent company
E	Management development	<ul style="list-style-type: none">▪ Management and talent development in all leadership positions

A

Key account management

- **Understanding the Sector**

- Deepen understanding of trends, themes, issues, solutions etc. in Semicon/Industry/Medical/Automotive
- Sector team meetings in place ✓

- **Understanding the Client**

- Deepen understanding on trends, themes, issues, solutions, etc. which are relevant to a certain client
- Key account management responsibility over the operating companies
 - Build relationships with key decision makers within a client on Strategic, Tactical and Operational level

B

Capabilities throughout the life-cycle

Neways Technologies (NT) focuses on the design phase of product life cycle, to take care of the customer's outsourcing needs in terms of development. NT realizes 100% of revenue in this phase.



Currently, the Neways production OCs realize ~90% of their revenue in this phase of product life cycle.

Time

- Connect all ingredients in the life cycle and create an integral process
- Develop life cycle management to the next level

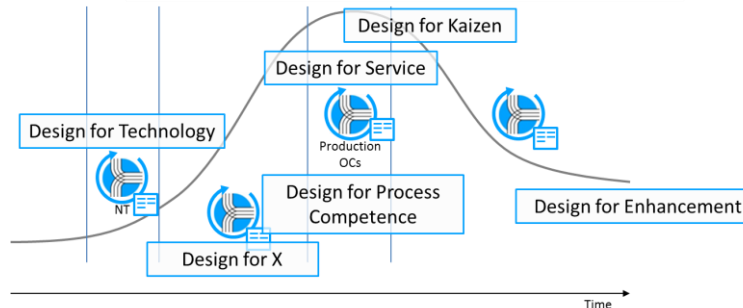
Turnover with Neways design included:

before yr 2000 ≈ 0%

yr 2010 ≈ 10%

yr 2018 ≈ 40%

Design for robust life cycle



B

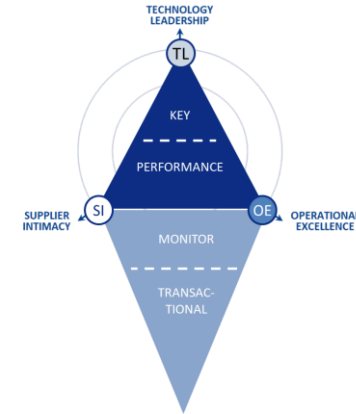
Capabilities throughout the life cycle

- **Competence centers growing in maturity**
 - Increased cooperation between Neways operating companies on technological research and proposition towards the customers (better and wider availability of competence)
- **Life cycle monitoring of products**
 - Available for first customers
 - Increase of preferred components to improve LCM performance
- **Model in place for design, engineering and production in a close loop**
 - New competence center improves Design for Manufacturing possibilities

C

Bottom line improvement

- **Procurement**
 - **Supplier program on track to “Get in Control”**
 - Sourcing strategies defined in each category, implementation started ✓
 - Continuous improvement in compliance ✓
 - **QLTC cross-functional supply chain approach**
 - Scaling up cross-functional collaboration
 - Roll-out of fully revised MBA (QLTC) kicked-off
 - **TCO programmes in place**



C

Bottom line improvement

Component Shortages (procurement intelligence)

- Unforeseen long period of increased demand, lead times >12 months on many items
- Full focus on countermeasures, e.g.:
 - Escalation to suppliers/manufacturers, incl. on top level
 - Find alternative sources/customer approved FFF alternatives
 - Work close together with customers, involve when needed (use leverage)
- **Next step: Neways takes leading role by proposing PCBA design upgrades**
 - Manufacturers dedicate capacity to smaller sized components; Neways enforces introduction on existing products (short + long term availability)
 - Example of LCM partnership (availability and obsolescence)
- **Shortages drive prices and delivery times up: mitigate or transfer to customer**
 - Continuing to at least mid 2019



Current solution



Upgraded solution

C

Bottom-line improvement

Operations

- **Continue Improvement program**

- Further roll-out of operational improvement process; kick-off planned for China operations in Q3-18. ✓
- First Neways lean green belt training finished in June. ✓

- **Footprint development**

- China: New modern facility officially opened in Q4-18
- Eastern Europe:
 - Expansion automotive factory in Czech Republic progressing. Open summer 2019.
 - Investigation for further expansion of production capacity for industry, semicon and medical in CEE.
- US: start engineering capacity in Bay Area ✓

D

One Neways

- We have brought the Neways Risk & Control framework for key processes in execution ✓
- Program organization in place to drive common processes throughout organization ✓
- The Neways ICT architecture principles have been established ✓
- The ICT infrastructure integration on track
- Adoption of the GDPR (Neways wide), register of processing made

E

Management development

People make the difference

- **Attract the right people,**
 - Intensify contacts recruitment firms
 - Define our employer market position
 - Sharing knowledge, make use of best-practices
- **Neways DNA and lean leadership program as fundament of the Neways House**
- **Introduction in China of Neways DNA / improvement programs**
- **Promote learning in the organization**
 - Through cooperation across functional axis
 - Competence groups across Neways
 - Providing Neways Lean Leadership Management (LLM) trainings for all managers

Management agenda & outlook



2018 priorities

Roll-out of Neways DNA and lean leadership training programme in operating companies in China

Identification and building of knowledge of new PMCs for higher added value solutions

Drive forward simplification and standardization of the supply chain with a focus on materials purchasing and better supply risk management

Further strengthening of central alignment with QLTC processes and reducing the workload of operating companies

Strengthening and expansion of long-term partnerships by applying customer intimacy principles

Further strengthening of engineering organization by growth of the number of development architects and closer collaboration with operating companies

Outlook

Further improvement of the organisation, especially in the area of logistics and purchasing processes, will have to ensure that Neways optimally benefits from the well-filled order book. This should contribute to a further increase in turnover and profitability for the full year.

Questions & Answers

Striving for TCO partnerships