NEWAYS ELECTRONICS INTERNATIONAL N.V.

HALF YEAR REPORT 2018

Course of events in the first half year

Highlights

- Net turnover rose to € 247.0 million, an increase of 15.6% on the same period of last year, largely driven by stronger contributions from the semiconductor and automotive sectors.
- Order intake was up 8,2% compared to the first half of 2017, primarily due to new orders in the semiconductor, medical, automotive and industrial sectors. The order book had increased to € 300.8 million at end-June 2018, compared with € 218.0 million at end-June 2017.
- Gross margin came in at € 96.6 million, an increase of 13.9% compared to the first half of 2017, largely driven by the higher activity levels.
- Net income was up 38,8% at € 6,8 million.

Operational developments

Huub van der Vrande, CEO: "Following the strong start of 2018, Neways also recorded substantial turnover growth and a continued increase in the order book in the second quarter of the year. The growth could have been higher but was hampered by the increasingly visible shortages in the market for components and on the labour market. However, we were in a better position to respond to these challenges in the market thanks to our strong focus on tighter operational processes, the knowledge of our clients and the markets in which they operate, plus investments in high-grade technological expertise. We will continue to focus on these areas. One example of our current ability to respond more effectively to challenges is how we, together with our clients and suppliers, are looking for innovative and alternative components that are more readily available. This is even more necessary, given we do not expect to see any easing in current shortages until next year.

We will continue to invest in the improvement of our logistics and operational processes and improve cooperation within the company itself and with clients and suppliers to progress further to the position of a strategic partner.

We are optimistic about the opportunities presented by the growth in our order book and, while not losing sight of challenges in the labour and component markets, we are positive about the second half of the year.

Financial data

Net turnover increased, entirely organically, by 15.6% to € 247.0 million in the first half of 2018, mainly on the back of a stronger contribution from the automotive and semiconductor sectors. Order intake increased by 8.2% or € 21.6 million in the first half of the year, thanks to which the order book increased by 38.0% to € 300.8 million, from € 218.0 million at end-June 2017. The book-to-bill ratio was 1.15, primarily driven by new orders in the semiconductor, medical, automotive and industrial sectors.

The gross margin rose by 13.9% on the back of the increased activity levels. As a percentage of net turnover, the gross margin declined to 39.1% in the first half of 2018, from 39.7% in the first half of 2017 (H2 2017: 38.4%).This was due to the change in the product mix, which represents a higher material value.

Operating expenses came in 10.4% higher, primarily due to the increased activity levels. The improvement in the margin was the result of higher productivity and improved capacity utilisation in the organisation. This was partly offset by increased price pressure from our suppliers due to the scarcity of components.

Financing expenses came in € 0.3 million higher, primarily due to an increase in turnover from clients for which Neways uses customer finance programmes, as well as an increase in credit uptake. In the first half of 2018, Neways converted convertible subordinated loans worth a total of € 3.9 million into shares. As a result of this and the exercise of personnel share options, the total number of current outstanding ordinary shares increased to 11,955,124.

Solvency (including convertible subordinated loans) amounted to 39.9% at the end of the first half of 2018, a deterioration compared to the same period last year (42.1%), as a consequence of the increase of the working capital. At the end of 2017 solvency amounted to 43.7%.

Risk factors and uncertainties with potential effect in the second half year 2018

The Neways reporting system and the key risks identified are explained in the risk and risk management section of the 2017 annual report, on pages 46-48. The risks described also apply to the second half of 2018.

Outlook

Neways recorded improved results in the period under review, in terms of both turnover and profitability. The order book for the second half of the year is well filled and includes a pipeline that runs into 2019. Neways will continue to make improvements in the organisation, primarily in the field of logistics and procurement processes, to ensure that Neways makes the most of the healthy order book and to help realise continued growth in turnover and profitability for the full year. However, the higher activity levels combined with growing price pressure due to the scarcity of components will continue to be a challenge in the second half of the year.

Directors' statement regarding financial reporting

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

The 2018 half year financial statements give a true and fair view of the assets, liabilities and financial position as at 30 June 2018 and of the results for the first half year of Neways Electronics International N.V. and the Group companies included in the consolidation.

The 2018 half year report of the Board of Directors gives a true and fair view of the position as at 30 June 2018, the course of events in the first half of 2018 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), 30 August 2018

Huub van der Vrande – CEO
Paul de Koning – CFO
Adrie van Bragt – COO

HALF-YEAR RESULTS 2018

Consolidated Statement of Realised and Unrealised Results

Bedragen x € 1.000	**First half year 2018**	**First half year 2017**
Turnover sale of goods	247,010	213,571
Change in work in progress and finished products	1,712	1,967
Costs of materials	-152,127	-130,739
Personnel costs	-66,599	-60,042
Depreciation and amortisation	-4,555	-4,429
Other operating expenses	-14,979	-13,672
Operating result	**10,462**	**6,656**
Financing costs	-970	-720
Result before taxes	**9,492**	**5,936**
Taxes (5)	-2,716	-1,044
Net result	**6,776**	**4,892**
Unrealised results		
To reclassify in the profit and loss account in following periods:		
Exchange rate differences foreign subsidiaries	101	-134
Unrealised results after taxes	**101**	**-134**
Total realised and unrealised results after taxes	**6,877**	**4,758**
Result per share (in €)		
- Net result	0.58	0.43
- Diluted net result	0.56	0.41

This half year report has not been audited.

Consolidated Balance Sheet

Amounts x € 1,000	30-06-2018	31-12-2017
		Adjusted *)
Assets		
Fixed assets		
Tangible fixed assets	36,776	35,657
Intangible fixed assets (6)	11,205	11,858
Financial fixed assets	3,826	4,357
	51,807	**51,872**
Current assets		
Inventories	117,804	98,043
Trade and other receivables	58,675	53,286
Corporate income tax	241	158
Cash and cash equivalents	2,558	1,041
	179,278	**152,528**
Total assets	**231,085**	**204,400**
Equity and liabilities		
Issued and paid-up capital	5,978	5,741
Share premium reserve	44,188	40,312
Retained earnings	40,219	37,710
Translation reserve	711	610
Equity attributable to holders of ordinary shares	**91,096**	**84,373**
Long-term liabilities		
Interest bearing loans (8)	1,147	4,970
Provisions	866	1,592
Pension and jubilee provision	4,870	5,106
Deferred tax liabilities	553	702
	7,436	**12,370**
Short-term liabilities		
Bank overdrafts (8)	40,211	32,944
Interest bearing loans (8)	37	372
Trade and other payables	83,046	66,092
Taxes and social security premiums	7,324	5,824
Corporate income tax (5)	772	1,175
Provisions	1,163	1,250
	132,553	**107,657**
Total equity and liabilities	**231,085**	**204,400**

*) The Group has applied IFRS 15 initially on 1 January 2018. As a result of the chosen method for cumulative effects the Group does not apply the IFRS 15 requirements to comparable figures.

Consolidated Cash Flow Statement

Amounts x € 1,000	First half year 2018	First half year 2017
Operating activities		
Results before taxes	9,492	5,936
Adjustments for:		
Depreciation of tangible fixed assets	3,707	3,332
Amortisation of intangible fixed assets	848	1,097
Costs granted staff options	17	37
Finance costs	90	0
Change in provisions and pension liabilities	970	720
Changes in working capital *)	-1,049	-45
	-5,534	-15,169
	8,541	**-4,092**
Other changes:		
Interest paid	-873	-620
Corporate income tax paid	-2,705	-1,090
Cash flow from operating activities	**4,963**	**-5,802**
Investment activities		
Investments in intangible fixed assets	-195	-157
Investments in tangible fixed assets	-5,988	-2,658
Cash flow from investing activities	**-6,183**	**-2,815**
Financing activities		
Repayments of interest bearing loans	-303	-3,004
More (less) use of bank overdrafts	7,267	15,453
Dividends paid to shareholders	-4,184	-3,902
Revenues from exercise of options	106	134
Cash flow from financing activities	**2,886**	**8,681**
Change in cash and cash equivalents	**1,666**	**64**
Net exchange rate differences foreign currencies	-149	-155
Cash and cash equivalents as per 1 January	1,041	1,167
Cash and cash equivalents as per 30 June	**2,558**	**1,076**
***) Changes in working capital**		
Inventories	-19,761	-11,032
Trade and other receivables	-5,389	-4,235
Trade and other payables	18,116	268
Taxes and social securities premiums	1,500	-170
	-5,534	**-15,169**

This half year report has not been audited.

Consolidated Statement of Changes in Group Equity

Amounts x € 1,000	Issued and paid capital	Share premium reserve	Retained earings	Exchange rate differences reserve	Total Equity
Balance as per 1 January 2017	**5,730**	**39,989**	**32,324**	**896**	**78,939**
Result for the period			4,892		4,892
Unrealised results				-134	-134
Total realised and unrealised results	0	0	4,892	-134	4,758
Exercise share options (7)	10	136			146
Issuance share options		36			36
Dividends (7)			-3,902		-3,902
Total transactions with owners of the Company	10	172	-3,902	0	-3,720
Balance as per 30 June 2017	**5,740**	**40,161**	**33,314**	**762**	**79,977**
Balance as per 1 January 2018	**5,741**	**40,312**	**38,385**	**610**	**85,048**
Adjustment for initial application of IFRS 15 *)			-675		-675
Adjusted balance as per 1 januari 2018	**5,741**	**40,312**	**37,710**	**610**	**84,373**
Result for the period			6,776		6,776
Unrealised results				101	101
Total realised and unrealised results	0	0	6,776	101	6,877
Issuance of shares	229	3,671			3,900
Exercise share options (7)	8	98			106
Issuance share options		17			17
Grants of performance shares		90			90
Dividends (7)			-4,184		-4,184
Other			-83		-83
Total transactions with owners of the Company	237	3,876	-4,267	0	-154
Balance as per 30 juni 2018	**5,978**	**44,188**	**40,219**	**711**	**91,096**

*) The Group has applied IFRS 15 initially on 1 January 2018. As a result of the chosen method for cumulative effects the Group does not apply the IFRS 15 requirements to comparable figures

Notes to the consolidated first half year results 2018

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 2017. The accounting standards used for valuation and the determination of results are the same as those used for the 2017 financial statements.

The Supervisory Board approved the interim financial statements as at 30 June 2018 on 28 August 2018. The contents of this interim report have not been audited.

3. New standards and interpretations

The new standards that are relevant for Neways, IFRS 9 and IFRS 15, have been effective per 1 January 2018. The application of IFRS 9 did not have a material effect on the Group’s equity and results. The Group has applied IFRS 15 with the aid of the cumulative effect method, incorporating the effect of the application of this standard on the date of the first application (i.e., 1 January 2018). This has led to a reduction in Group equity on the opening balance per 1 January 2018 of € 675,000. For the full year, Neways does not expect any material effects for the annual accounts.

The Group will apply the new standard IFRS 16 *Leases* as per 1 January 2019. IFRS 16 will replace existing standards related to leases, including IAS 17 *Leases*, which brings to an end the distinction between operating leases and finance leases. The basic premise of IFRS 16 is that virtually all lease contracts should be recognised in the balance sheet. The lessee values the right-of-use to use the underlying asset and the lease liability for the execution of the lease payments. There are exceptions to this rule for short-term lease contracts and lease contracts with little value. Neways has conducted the initial analysis of the impact of applying IFRS 16 on its consolidated financial statements, but has not yet completed the detailed assessment. The impact of Neways’ consolidated financial statements will still depend on the interest rate on 1 January 2019, the composition of the lease portfolio at said date, the final assessment up to the exercise of any options to extend lease contracts and the extent to which the Group makes use of any exemptions. The greatest impact identified so far is the recognition of business premises in the balance sheet. The impact on the balance sheet will not differ substantially from the face value of the contingencies stated in the 2017 consolidated financial statements. The introduction of IFRS 16 will lead to a shift in the statement of profit and loss from operating costs to depreciations costs and financing costs. Neways plans to make use of the modified retroactive approach, under which the cumulative impact of applying IFRS 16 will be recognised as an adjustment of group equity in the opening balance sheet as at 1 January 2019, without any adjustment of the comparative figures.

4. Business segments

The Group’s long-term strategy is focused on strengthening its position as a one-stop provider of customer- specific industrial and professional electronic components, combinations of components and systems for the Electronic Manufacturing Services (EMS) market. The intensive collaboration and clear communication between the various Neways operating companies enables the Group to provide customers in this market with the optimum level of service, with contacts with customers running via a single contact point.

Neways' Western European operating companies play a vital role in the execution of the corporate strategy as a one-stop service provider. Both in terms of customer contact and geographically, these companies operate in close proximity to their customers. The operating companies in Eastern Europe and Asia focus primarily on the production of larger, less complex, stable series with the aim of realising cost savings for customers. The majority of the production contracts come from their sister companies in Western Europe.

The continuous improvement of internal cooperation at every level of the organisation is essential to serve customers as one homogeneous, integrated group of companies, with shared quality control policies, a recognisable business culture and a unified presentation of the Group's vision.

Decision-making at Group management level is based on the management's own assessments and direct communications with all the parties involved. Financial management is based on consolidated information. This means that Neways does not recognise segmentation as meant under IFRS 8.

5. Taxes

The tax burden for the first half of 2018 amounts to 28,6% (first half year of 2017: 17,6%). This tax burden deviates from the in the Netherlands applicable corporate income tax rate of 25%, primarily because of a higher tax rate in Germany. The tax burden over the in Germany realised profit over the first half year of 2017 is fully compensated by the valuation of a tax asset over the loss compensation at the German subsidiaries. Per 31 December 2017, all tax losses in Germany have been included on the balance sheet.

6. Goodwill impairment test

Neways conducts impairment tests on its goodwill annually (as per 31 December), or more frequently if any events or changes in circumstances indicate that the carrying value may have suffered impairment. The recoverable value of goodwill is determined on the basis of the enterprise value. The assumptions made in the calculation of the value of the future cash flows of any cash flow generating unit are outlined in the 2017 financial statements.

When assessing impairment indicators, the Group takes into account such factors as the ratio of its stock market capitalisation to its carrying value. As per 30 June 2018, the Group's stock market capitalisation was higher than the carrying value of its shareholders equity.

7. Equity

7.1 Issuance of ordinary shares

In the scope of the applicable share option scheme for Management Board members and a selected group of other officers 15,000 ordinary shares were issued following the exercise of share options (2017: 20,000). The options were exercised at an average price of € 7.05 per share (2017: € 6.68 per share). Through the conversion of a number of convertible loans 458,823 ordinary shares have been issued. The conversion took place against a price of € 8.50 per share. Per 30 June 2018, there were 11,955,124 ordinary shares outstanding.

7.2 Dividend paid

Amounts x € 1,000	30 June 2018	30 June 2017
Determined and paid out in the first half		
Dividend on ordinary shares: Final dividend 2017: € 0.35 (2016: € 0.34)	4.184	3.902

8. Financial liabilities

The fair value of all the Group's financial instruments approximates their carrying value.

9. Transactions with related parties

The table below shows the total amount in transactions with related parties for the first half of 2018 and 2017:

Amounts x € 1,000		Sales to	Purchases/services from	Due from	Due to
Entity with significant influence on the Group:					
VDL Groep	2018	11,346	2,361	5,652	966
	2017	7,803	1,713	4,142	678
Key Group personnel:					
	2018		0		
	2017		160		

Outstanding balances are not covered by collateral securities, are non-interest bearing and are settled in cash.