ANNUAL REPORT 2020

NEWAYS®

BUILDING SMARTER SYSTEMS FOR A CHANGING WORLD

CONTENTS

The original financial statements were drafted in Dutch. This document is an English translation of the original. In case of any discrepancies between the English and the Dutch text, the latter will prevail.

Eric Stodel
CEO from 1 January 2020

System Innovator: Building smarter systems for a changing world

2020 was a year with two faces. We started the year with great energy in anticipation of the tasks that lay ahead: shaping our strategic reorientation as a System Innovator and continuing the roll-out of One Neways to further strengthen our operational processes and organisation. At the same time, it was a year in which we had to adapt to a new reality after the outbreak of the global pandemic. A year in which providing a healthy working environment for our employees was paramount. We made cost control, cash management and ensuring continuity of production for our customers our top priorities. Our cash flow has increased significantly and the strong emphasis this year on intensifying collaboration with customers and suppliers is paying off in the form of improvements to our working capital and inventory position. In this challenging environment, we achieved net revenue of € 478.6 million, a normalised operating result of € 7.9 million and a positive cash flow of € 37.6 million.

Impact of coronavirus

At the beginning of March, we started to see the first signs indicating that coronavirus was spreading worldwide. It soon became clear that this virus would not only affect international trade, it would also have an impact on our work and way of life.

Thanks to great commitment and adaptability on the part of all Neways colleagues, we adjusted very quickly to the new way of working and prioritised ensuring a safe working environment and guaranteeing the continuity of business operations for our customers. This resilience and our strategic spread of activities across four market sectors meant that the financial impact was limited mainly to the Automotive sector and the Industrial sector, which is directly related to Automotive.

During the first wave, several Automotive customers decided to completely shut down their factories. The drop in demand from this sector had a major impact on our revenue. We reacted immediately and focused strongly on cost control, reducing working hours and cash flow management. As a result, we were able to cushion the impact of the decline in revenue on the operating result and maintain a healthy cash flow.

In order to structurally bring production utilisation in line with the drop in demand and make our organisation more effective, we implemented a number of changes to the organisation in Germany and the Netherlands. We now have a stronger foundation for future growth and we have freed up capacity for customers that better fit our role as a System Innovator. At the time of writing, this reorganisation is in the final stages of implementation.

Strengthening our base

In 2020, we continued to implement the One Neways programme.
We focused on standardising business processes, based on uniform working methods and clear-cut data management within the group. Preparations are currently ongoing for building and rolling out the associated systems to the first operating companies. We see clear improvements, but also significant untapped potential.
In 2021 we will accelerate this transformation by starting to implement a uniform Neways operating model, supported by an integral approach to culture, organisation, processes, control and governance.

Continuous strengthening of leadership, professionalism and entrepreneurship in the operating companies, together with further development of the talent and technological expertise of our employees are key conditions for future success.
All the improvement initiatives in this transformation process are ultimately based on the three key cornerstones that Neways has identified as strategically important: customer intimacy, technology leadership and operational excellence.

System Innovator

We further clarified the outlines of our market positioning in 2020. Our customers increasingly require us to be a distinctive System Innovator, as well as a life cycle partner. Furthermore, we are progressing further up the value chain towards more integrated assemblies and box-build systems, often in combination with mechanics, mechatronics, plastics or composites, as appropriate.

We have much of the technological expertise for this available in-house today and already integrate it into smart(er) applications for our customers. We are also looking at new technological applications to (further) develop specific knowledge domains.

We are going to expand our knowledge of our customers' activities even further. This mainly involves gaining a deeper understanding of the intended functionalities of the end products and the often challenging environments in which they operate. As a System Innovator, we will be involved in the development and engineering processes of our customers at an early stage, proactively providing concrete solutions and consequently offering much greater added value. We are currently involved in System Innovator initiatives with several customers. Our experiences of this process so far are instructive and promising. This annual report highlights four concrete examples of our role as System Innovator, based on reference designs and use cases.

Continuously changing world

Although last year was turbulent, it also showed that technology and innovation have a crucial role to play in our modern society. As a result, large parts of the economy continued to operate, while our daily lives were forced to come to a standstill on many fronts.

Neways is well positioned in four key high-tech market sectors with strong growth potential. In the Semiconductor sector, we still see high growth potential, and we are benefiting from the developments in the field of 5G, artificial intelligence (AI), cloud computing and the Internet of Things (IoT). In Automotive, electrification is gaining momentum at a rapid pace. In e-mobility, for example, we do business with a number of leading players that offer highly innovative solutions in the field of charging technology and other areas. In the Medical sector, ageing of the world's population is a catalyst that has led to collaborations between ourselves and major medical equipment manufacturers, including start-ups, to develop high-tech system solutions. Thanks to our Industrial expertise in the field of sensors & control and power management, we are benefiting from the increasing demand for more efficient and sustainable systems. Developments in this area are also moving fast in subsectors such as Agri and Industrial Automation.

Outlook

Neways started 2021 with a smaller order book than at the beginning of 2020. However, our order intake during the first months of 2021 is picking up across the board and we are also seeing increased interest in and demand for System Innovator solutions. I am extremely proud of our increasingly close collaboration with companies that are among the top international organisations in their sector, and frontrunners in technological development. Looking at the sectors, we see that Semiconductor remains as strong as ever. Medical and Industrial customers are more positive in their plans and projections. Automotive shows cautious recovery, but the e-mobility market remains erratic, mainly because it still has to establish itself. This unpredictability, in combination with the recent scarcity of components in Automotive, means that we cannot form an accurate picture of this part of our activities. We are closely monitoring developments associated with coronavirus and continue to tightly control our cost levels and cash flow.

We expect to complete the reorganisation during the first half of 2021. In parallel to this, our focus lies on strengthening the order book and accelerating implementation of the One Neways programme. Looking further ahead, it is clear that Neways has an excellent position in strategic growth sectors, where there is increasing demand for ever more complex systems. As a System Innovator, we can anticipate these trends and raise Neways' revenue and profitability to a structurally higher level in the coming years.

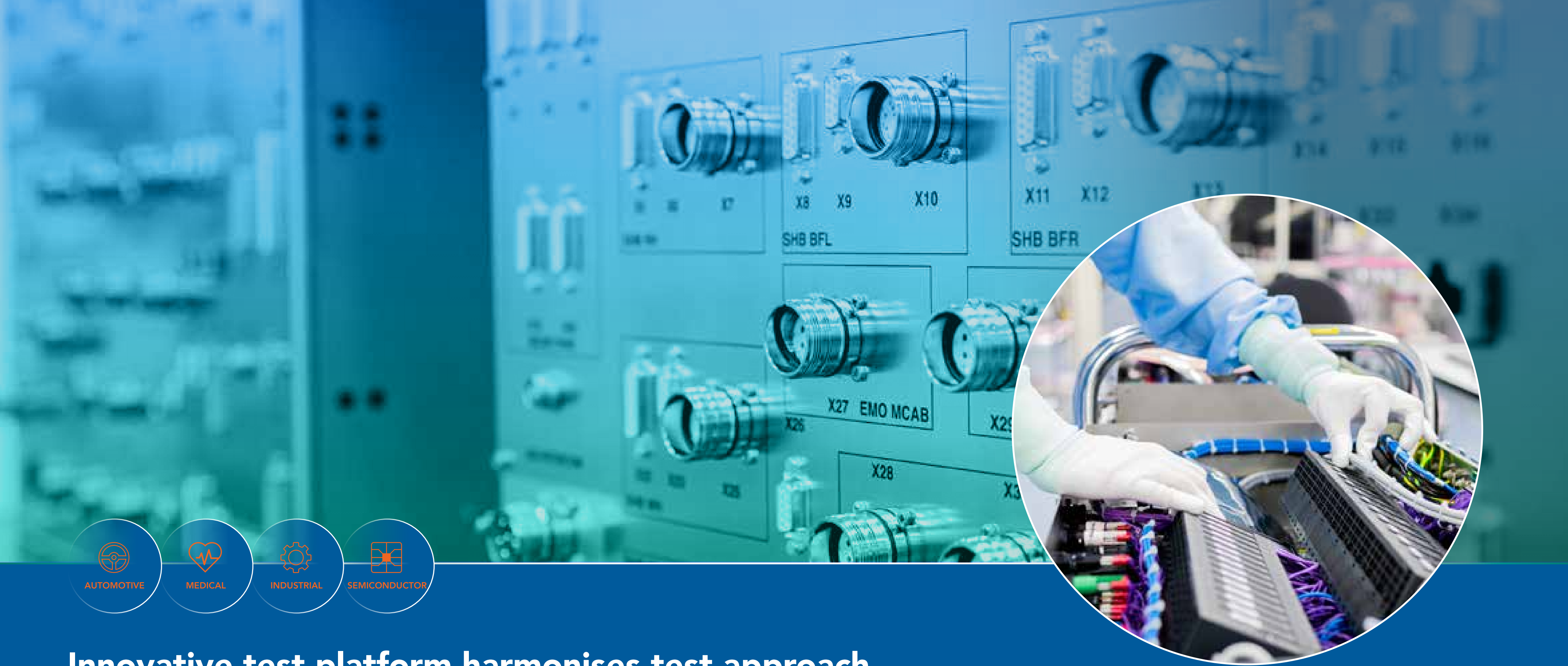
Company profile

Neways is one of the top ten companies in the European market for Electronic Manufacturing Services (EMS). The company operates as a development and production partner for Original Equipment Manufacturers (OEMs) and their first-tier suppliers. We focus primarily on the high-tech sectors Semiconductor, Automotive, Industrial and Medical. We have around 2,600 employees working from fourteen operating companies spread across Western Europe, Eastern Europe, Asia and the United States.

Neways' head office is located in Brainport Eindhoven, a leading technology cluster concentrated in Eindhoven and the surrounding area. Leading global manufacturing companies such as ASML, NXP and Philips are also located here. Local government authorities and technical education institutions work together closely to maintain and strengthen the region's international competitiveness in high tech and innovation.

Our mission

Neways aims to be *the* preferred development and production partner for its customers and contribute to optimising the total cost of ownership of an end product by supplying tailor-made solutions for the entire life cycle of electronic components, applications and box-build control systems.



AUTOMOTIVE MEDICAL INDUSTRIAL SEMICONDUCTOR

Innovative test platform harmonises test approach

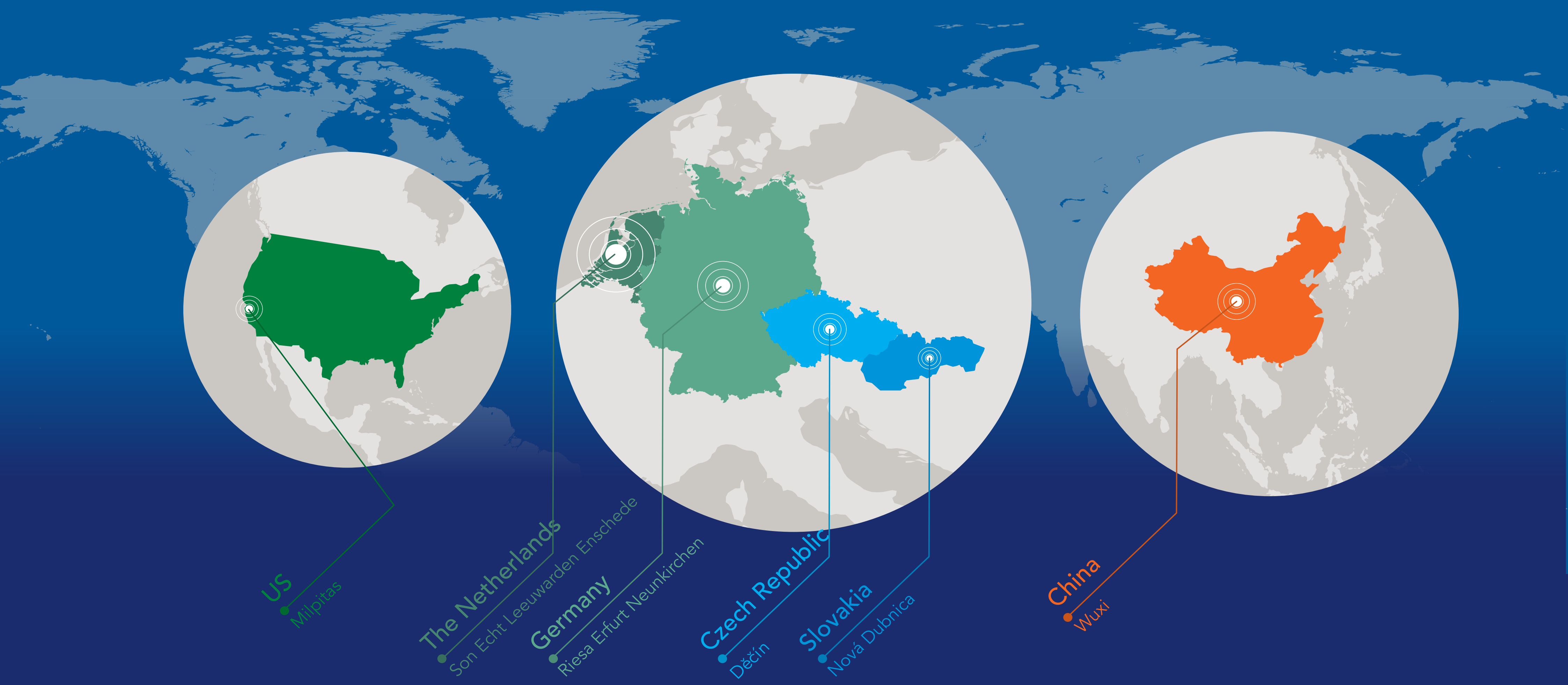
Full Functional Testing

Functional testing is one of the methods used by Neways to test the reliability of products for customers. Based on specifications provided by customers, we simulate the system's operational situation as faithfully as possible. As systems become increasingly complex, and the number of connected printed circuit boards in a single system continues to increase, there is a growing need for data that indicates how a design performs. In the past, a simple 'yes/no' result was sufficient when testing a component. Nowadays, however, analytical data is an essential requirement in order to determine trends in a range of measured values.

We have developed the KITT test platform (Knowledge-based Intercompany Test Tooling) to satisfy this requirement and harmonise the test approach for all operating companies. The implementation of KITT has benefits for the customer and also delivers test results in a recognisable, uniform presentation. Our test platform makes it possible to share analytical data at the press of a button. For example, we can use this facility to show the customer the spread we see in the products produced over a long period.

In addition, as KITT records the programming structure, all Neways engineers can quickly form a picture of what their colleagues came up with previously. It also eliminates the need to convert each test individually when replacing obsolete measurement tooling: all the existing tests can be converted at the same time thanks to the single-point-of-maintenance feature. And because the measurement data is logged in the same way based on SQL, anyone can retroactively view the performance data for a test. The KITT platform is already up and running in several operating companies.

International presence and business model



North America		Western Europe		Eastern Europe		Asia	
Number of employees	2	Number of employees	1,975	Number of employees	524	Number of employees	98

Business model

Our area of activity covers the entire life cycle of professional and advanced electronics in the business-to-business segment, from the initial design stage to upgrading products to extend their commercial life. We use our technological expertise and flexibility to support customers at the design stage and we help them innovate and produce more discerningly.

As a System Innovator, Neways is involved in the development of a product at an early stage and we proactively assess how we can add value for the customer with our own products. Neways carries out prototyping and testing prior to batch production and subsequently organises maintenance, upgrades and further development.

Our operating companies are close to both our customers and leading knowledge institutions. This puts us in an ideal position to facilitate close collaboration and attract technical talent.

Thanks to intensive cooperation between our operating companies and harmonised work processes, we achieve economies of scale, synergy and efficiency gains for our customers.

• WESTERN EUROPE

In Western Europe, our nine operating companies implement Neways' strategy of operating as a System Innovator and a one-stop provider, and the group's most knowledge-intensive activities are concentrated here. We use our specialist knowledge to support customers when developing high-quality systems and deliver batch production of complex electronic components and ready-made systems. Neways has strong market positions in the main industrial and technological regions of the Netherlands and Germany, which is by far the largest market for EMS in Europe.

• EASTERN EUROPE

In Eastern Europe, three operating companies produce electronic components and systems in large batches. In cases where this benefits the total cost of ownership for our customers, mature products further along in their life cycle are produced in facilities where Neways has successfully created a low cost base and set up an optimal production process. Neways has invested significantly in modernising and expanding the capacity of its production facility in the Czech Republic in recent years, and is currently going through the same exercise in Slovakia.

As a result, Neways has taken steps to meet the stipulated quality requirements, while at the same time creating a strong basis for future growth in its activities and strengthening its market position in Eastern Europe.

• ASIA

Neways' operating company in Asia specialises in PCB assembly, device building and systems. The subsidiary in China mainly works on behalf of our European customers and operating companies in the Netherlands and Germany, but also increasingly offers operational support to OEMs and their first-tier suppliers that have subsidiaries in China.

Components and systems are produced cost-effectively in China. Our production facility is state-of-the-art and uses the most modern Surface-Mounted Devices (SMD), production lines and test equipment available. The Chinese operating company plays a key role in expanding component procurement for the entire group as it allows us to source in the local Chinese market.

• UNITED STATES

In the United States, Neways has a single operating company in Silicon Valley (California). The activities that we started in 2018 have been successful. The team has been expanded to support local prototyping activities and we have started a project with two of our Western European customers with the aim of launching production in early 2022.

Activities

	Development	PCB/product assembly	Engineering/ prototyping	System construction	Cable production/ assembly	Microelectronics development/production
Neways Advanced Applications Son		●	●	●		
Neways Cable & Wire Solutions Echt			●		●	
Neways Industrial Systems Son		●	●	●		
Neways Leeuwarden Leeuwarden		●	●			
Neways Technologies Son - Erfurt - Enschede - Echt	●					
Neways Micro Electronics Echt			●			●
Neways Neunkirchen Neunkirchen		●	●			
Neways Electronics Riesa		●	●	●		
Neways Slovakia Nová Dubnica		●		●	●	
Neways Electronics Děčín		●				
Neways Wuxi Wuxi		●				
Neways Electronics US, INC. Milpitas			●			

Working together generates smarter solutions

"As an Improvement Engineer at Neways Industrial Systems, I am responsible for analysing our work processes to make them even more efficient. My main focus is to bring the right people together to find a solution that works for everyone. My aim is to work smarter, not harder. If we can achieve the same result, or a better result, in less time, I have achieved my goal.

When I joined Neways, I felt welcome and at home right from day one. The atmosphere is informal, and people know each other personally. That's probably also why coronavirus has had such a significant impact. You can't just drop in for a chat anymore. You only really agree a time for a video call if it's work-related. Fortunately, I'm now able to work at the company again from time to time. That's the only place you can really connect with people; doing so via a computer screen is much more difficult.

At the beginning of this year, I completed the Neways Young Talent Programme. It was very informative and an experience I can definitely recommend. We met up every month for workshops and to prepare assignments, which we then put into practice. Being able to apply the assignments directly in your working environment makes the experience tangible, and there is always enough to discuss. Collaborating with colleagues who look at things differently, because they approach problems from a different discipline, opens up a completely new perspective We have become quite a close-knit group, and if the lockdown hadn't happened, we would definitely have all got together again.

The project I am most proud of this year is an A3 improvement project where we and a multidisciplinary team reduced the throughput time of the systems and associated work in progress for an important customer. Our basic goal is to work on the right products at the right time. We explored the full scope of the problem first and created a visual plan. That visual plan is more meaningful than the numbers alone and also helps with setting a concrete goal: the throughput time for each part of the product may not exceed one week. We have now identified three factors that influence the throughput time and are explicitly tackling each one in turn. The desired result is apparent here: a decrease in inventories and the throughput time. So we are on the right track!"

BUILDING SMARTER SYSTEMS FOR A CHANGING WORLD

SMARTER SOLUTIONS	**CONTRIBUTING IDEAS**	**EXPERTISE**	**COLLABORATION**

NICOLE AARTS
CONTINUOUS IMPROVEMENT ENGINEER
NEWAYS INDUSTRIAL SYSTEMS

Key figures and performance indicators

Revenue (€ millions)

2020
478.6

compared to 2019
–10.3%

Normalised operating profit*

(€ millions)

2020
7.9

compared to 2019
–50.3%

Normalised net profit*

(€ millions)

2020
3.5

compared to 2019
–61.5%

Net cash flow**

(€ millions)

2020
37.6

compared to 2019
+129.3%

Equity

(€ millions)

2020
102.0

compared to 2019
–3.9%

Interest coverage ratio

2020
3.8

compared to 2019
–29.6%

* Excluding extraordinary income and exceptional costs (see page 22).

** Net cash flow means cash flow from operating activities, plus cash flow from investment activities.

Key figures and performance indicators

Net debt/ EBITDA ratio

2020
1.5

compared to 2019
–29.9%

Solvency Equity as a % of the balance sheet total

2020
43.6

compared to 2019
+14.1%

Normalised net profit per share*

2020
0.29

compared to 2019
–61.3%

Average number of employees expressed as FTEs

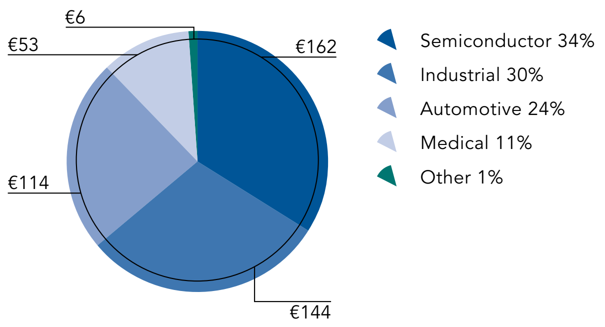
2020
2,705

compared to 2019
–8.0%

* Excluding extraordinary income and exceptional costs (see page 22).

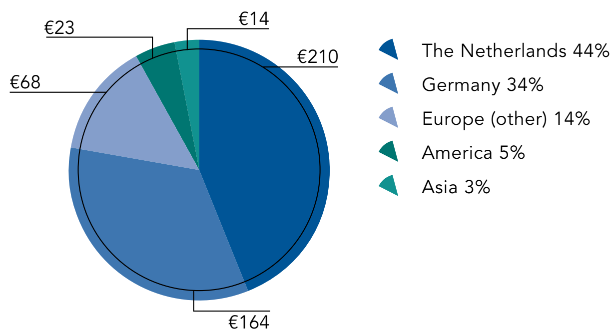
Revenue split by market sector

in millions of euros



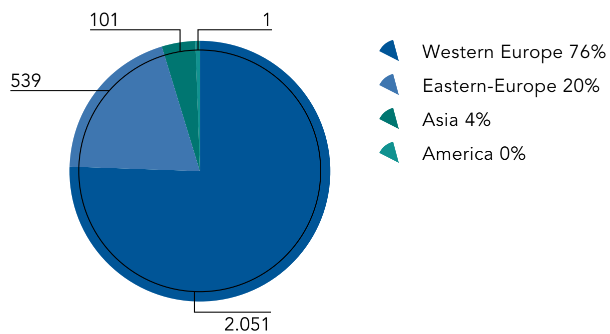
Geographical revenue split

in millions of euros



Geographical split of employees

expressed as FTEs



Smart design for a longer service life

Product actualisation

Refurbishment is a significant trend in the OEM market. Partly due to poor component availability, smart use of materials that are in short supply is becoming an increasingly important topic. In a high-mix/low-volume market, capital goods often remain operational for a long time, meaning that components may be taken out of production during the system's service life. On the other hand, in a low-mix/high-volume market, the level of market demand may actually be the driver behind component shortages. Furthermore, recycling also contributes to the sustainability of the production chain and to reducing our carbon footprint and that of our partners. Product actualisation is our response to these trends and the way in which we help customers extend the life of capital-intensive systems.

We extend the product life cycle by analysing the application to determine whether new components can be used to replace old components, and by revising old designs. Component actualisation involves integrating a new type of component in a design that is already in use.

For example, an actualised control PCB ensures continued compatibility with new software and can often be kept in production for many more years.

We have the tools and calculation models required to determine whether product actualisation is a viable business case for customers. Several refurbishment pilot projects are currently ongoing and we increasingly see demand from customers for greater expertise in the field of life cycle management.

Markets and trends

Technology is present everywhere you look and more and more a part of daily life. Not only do people interact with devices, devices also interact increasingly with each other; technology is becoming smarter and more complex. This means more electronic components, which need to be smaller, more precise, more powerful and more efficient. As functionality increases, so too does the amount of electronics in our customers' products/end products.

This increasing complexity is a strong, fundamental driver behind the demand for Neways' activities and solutions. Customers require more than just build-to-print, they are looking for a design partner who contributes ideas and expertise during the development process. As a System Innovator, we are responding to this trend and increasingly deploying our expertise to help design, improve and maintain systems.

Partly due to the coronavirus pandemic, digital adaptation has gained momentum this year. People are now forced to make more use of online communication systems, companies are bringing forward their plans to switch to cloud solutions, and smart measuring and monitoring systems are being used in daily life to limit the spread of the virus. The McKinsey Global Survey shows that companies have brought forward initiatives for digitalising the customer experience, communicating with suppliers and improving internal operations by three to four years[1].

Furthermore, a high degree of technological adaptation appears to be having a positive impact on the ability of countries to mitigate economic damage. The World Economic Forum expects advanced digital economies such as Finland, Sweden, Denmark and the Netherlands to be the first to recover from the economic downturn caused by the coronavirus crisis. A good digital infrastructure and a population with high digital proficiency make it possible to keep economic activities going during a lockdown and to restart them quickly.

The global economy shrank by 4.99% in 2020[2]. By contrast, the IMF expects 5.4% growth in 2021. Even so, global GDP in 2021 will still be roughly 6.5 percentage points lower than the January 2020 forecast, which dates from before the COVID–19 outbreak.

EMS market sectors

- **Communication**
- **Automotive**
- **Semiconductor**
- **Medical**
- **Computer**
- **Energy/Renewables**
- **Industrial**
- **Aerospace & Defence**

Neways' growth sector focus

- **Automotive**
- **Semiconductor**
- **Medical**
- **Industrial**

Specialised niche player

Markets	Industrial and professional growth sector
Customer base	Mainly Western European OEMs
Main presence	Industrial & Technology regions
Relationship	OEM first-tier partners
Range	Complete product life cycle management
Added value	High
Batch production	Low and medium to high volume batches
Assembly complexity	Medium to high mix

[1] *https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-covid–19-has-pushed-companies-over-the-technology-tipping-point-and-transformed-business-forever*

[2] *https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october–2020*

Trends in customer demand

Greater complexity translates into closer contact with suppliers and more intensive collaboration on a higher knowledge plane. Customers are looking for development partners who understand the system, and they expect more service and support. Neways is well placed to respond to this demand thanks to its expertise in power management and conversion, and sensors and control. Our sector and key account plans detail how we intend to further deepen and strengthen our positioning as a System Innovator in the years to come.

Quality

Highly complex electronic products require outstanding quality assurance. Neways' Advanced Product Quality Planning (APQP) provides an effective framework for industrial production techniques and procedures at Original Equipment Manufacturers (OEMs) and their suppliers. This framework has its origins in Automotive, but is also an excellent tool for other sectors. The framework ensures standardisation of production methods between OEMs and suppliers, and the highly process-focused approach and planning procedures guarantee the desired quality when introducing complex products.

Innovation

Many OEMs find it challenging to keep up with new developments, and end customers increasingly request customised solutions. In the sectors where Neways is active, we respond to the need for speed and the greater general level of complexity by developing reference designs. These designs contain the essential functionalities of a system that can be adapted to specific customer requests.

Flexibility

We use our supply chain management expertise to take control of the supply chain on behalf of our customers. In 2020, close collaboration with customers and suppliers, and rigorous supply chain management on our part kept delivery problems to a minimum in a challenging environment.

Growth sectors

Neways focuses on four strategically chosen market sectors with attractive long-term growth prospects: (1) Semiconductor; (2) Automotive; (3) Medical and (4) Industrial. Demographic

Market challenges

- **Increasing complexity in the supply chain**
- **Smaller and smaller components and shorter product life cycles**
- **Fluctuations in demand caused by economic volatility and cyclicity**
- **Greater attention for sustainability and corporate social responsibility**
- **Shortage of specific components and technically trained staff**

Greater need for agility and full-service solutions

OEMs

More outsourcing to trusted partners that add value

Unique characteristics

- **Technical expertise**
- **Product life cycle management**
- **System integration expertise**
- **Reliable quality and delivery**
- **Supply chain management support**
- **Flexible planning and production**
- **Short lines and open communication**
- **Close to the market and customers**
- **Compliant with regulations and standards**
- **Product traceability**
- **Ability to share risk and invest jointly**

Neways' expertise/competencies

changes, the trend towards sustainable solutions and digitalisation are driving growth in these sectors.

Semiconductor
Semiconductors are the driving force behind many technological developments. In the coming years, the semiconductor industry will benefit from the roll-out of 5G and innovation and development in the area of connectivity, data centres, communications, e-mobility and countless IoT applications. In 2020, the sector was boosted by the coronavirus pandemic and a high level of demand for electronics, and this growth is expected to continue in 2021.

While the trade conflict between China and the United States has led to uncertainty, it has not had an adverse effect on production. Large American companies appear less willing to allocate production to China, and this reluctance may open up growth opportunities for the sector in East Asia, South America and Eastern Europe. At present, we do not see any significant signs of reshoring in the production chain.

Automotive
The Automotive sector had a tough year in 2020, with a complete production shutdown in nearly all the factories in Germany in the months of March and April. Although demand started to recover in June, the sector is not expected to return to its previous level in 2021. Growth and change in this sector are driven by e-mobility and 5G.

The roll-out of the 5G network opens up new application opportunities to advance the development of autonomous cars, as it allows cars to communicate more intensively with each other. Neways is well positioned to take advantage of both trends, thanks to its pioneering role in charging technology and extensive expertise in the area of interoperability between different IoT solutions.

Medical
Healthcare costs continue to rise globally; an issue that weighs increasingly heavily on countries' national budgets. Medical technology and new innovations have the potential to reduce costs. We expect continued growth in the emergence of medical devices that simplify prevention, diagnosis and treatment of diseases and disorders.

Because of coronavirus, the level of demand for diagnostics has further increased and preventive healthcare is receiving increasing attention. In 2020, the installation of new equipment and work to repair existing equipment was postponed due to the difficult situations in the hospitals. This caused some delay in the delivery of systems. These long-term trends will favour growth in the Medical sector.

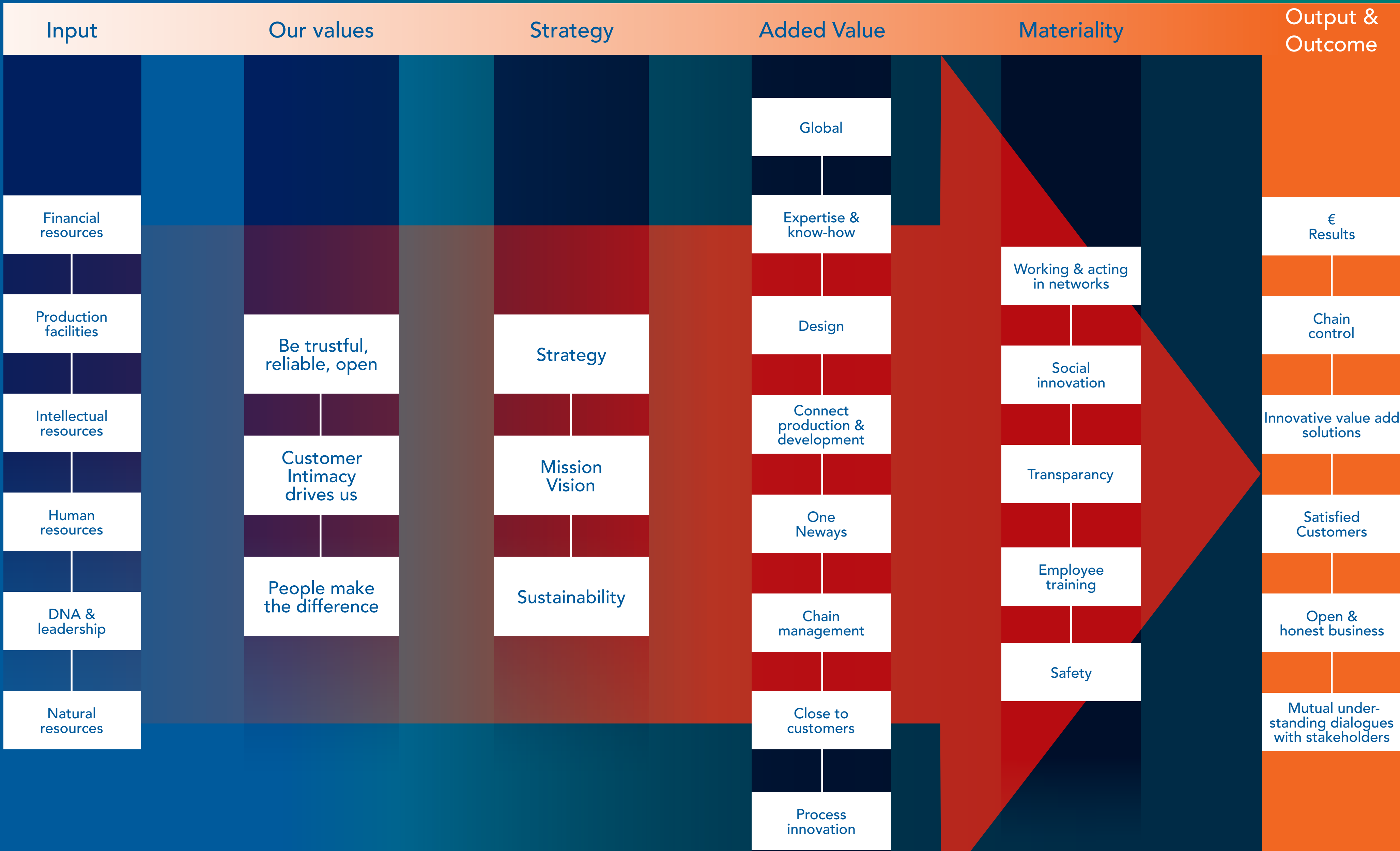
Industrial
We see a mixed picture in industry. Because of continuing economic uncertainty, the industrial sector is still somewhat reluctant to invest. Based on cautious outlooks issued by parties in the industrial sector, we expect to maintain our current position in 2021. With its expertise in the field of sensors and control and power management, Neways is well placed to meet demand for more efficient and sustainable systems.

Agriculture
Due to the growing world population and the decreasing amount of land available for agriculture, this sector is rapidly transforming into a high-technology industry. In order to make better use of agricultural land, farmers are looking for ways of achieving higher yields per square metre in combination with economical use of resources such as water and pesticides. Agriculture is an important growth sector for Neways.

Power & energy
Due to the energy transition, the spread of e-mobility and the greater share of renewable energy in the energy mix, the energy supply grid is becoming more decentralised. This requires more control and monitoring. A higher control load on the grid means greater demand for smart systems.

Industrial automation
Industrial process automation continues to spread to more and more sectors. On the one hand, the demand for robotics is growing, but there is also an increasing need for data collection to assess, monitor and improve the performance of processes.

Value creation model



Ambition and strategy

As a System Innovator, we are moving up the value chain and adding greater value for our customers. In high-tech growth sectors, we increasingly work in collaboration with our customers to develop new and innovative systems and products. These developments are indicative of our changing role as we make the transition from EMS Life Cycle Partner to System Innovator.

Long-term strategy

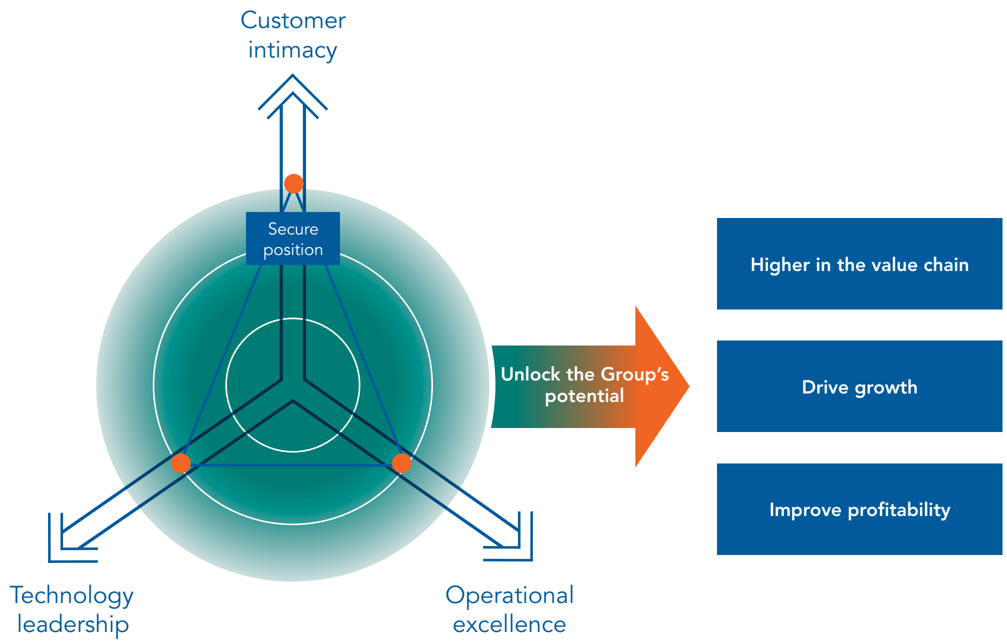
Neways aims to create value in the long term. Growth and sustainable profitability are essential drivers for this. In 2020, our growth path was disrupted by the pandemic, due in particular to the major downturn in Automotive. In other sectors where we are active, such as Semiconductor and Medical, we succeeded in simultaneously managing the impact of the crisis and generating a great deal of new business.

This once again illustrates that we have a good market spread in our core business activities. The underlying trends in the four high-tech market sectors are structurally positive. Social trends such as sustainability (including the swing towards e-mobility) and the increasing need for professional healthcare are indicative of a positive development for our market segments.

Customer philosophy

Our customers set high standards for their business partners. The greater complexity of the systems and products they make, in combination with unrelenting pressure on time-to-market, result in increasing mutual dependency in the supply chain. This in turn necessitates the creation and development of far-reaching partnerships.
With our technological knowledge, and in our role as a System Innovator, we want to be an indispensable link that adds value for our customers.

Today's world is one of rapid technological development, with an increasing focus on sustainability. Neways is capable of contributing ideas and expertise for the customer during the product's life cycle to create better solutions, shorten the time to market, bring systems and products to market in a smarter and more effective way, maintain those products and systems, and, where possible, extend their service life.



Positioning

During the past year, we have further strengthened our positioning as a System Innovator. Thinking from the perspective of the system, and the environment in which the product is used, is extremely important. This gives us a better understanding of the desired functionality of an end product and also helps us make life easier for the customer with full-service solutions. For example, when we are involved from the initial development phase of a new product, or at the beginning of an upgrade process for an existing product, we can deploy our experienced system architects and apply our supply chain competencies to ensure improved end-to-end supply chain performance for our customers. We have significant additional knowledge to contribute, both at the front end and back end of the life cycle. We can offer concrete solutions for technology integration, industrialisation, testing, sourcing and maintenance, upgrades and further development of systems and products.

We can offer customers extra added value. We are climbing to a higher point on the value chain ladder and also making better use of external knowledge centres such as the Brainport High-Tech Cluster around Eindhoven and research centres like TNO and Fraunhofer. The additional value we create in this way puts us in a position to further consolidate our future and raise our revenue and profitability to a structurally higher level in the coming years.

Strategy

Neways is active in the right markets and our positioning as a System Innovator is firmly anchored on our three key cornerstones of technology leadership, customer intimacy and operational excellence. Our strengthened focus on positioning in 2020 has led to a number of important new developments. We will further strengthen these three cornerstones in the coming years by rolling out the One Neways programme, which focuses on continued professionalisation of the company and realising greater organisational efficiency within a single entity.

Technology leadership - Strengthen our competitive advantage

As a System Innovator, we want to support our customers in all phases of the life cycle of their system or product. We use our powers of innovation and our engineering, production and sourcing expertise to offer our customers a full-service solution. As a result, we are shifting away from electronic components towards box-build systems, based on the combined expertise of the Neways group.

We have defined several key frontier technologies for all the market sectors in which we are active. We have distinctive expertise and competencies that we continuously develop further. These are often fields of technological knowledge that can be applied across several sectors, leading to greater cross-fertilisation and synergy between Neways' operations and higher added value for our customers.

We will continue to build on Neways' profile as an attractive high-tech employer, which is also a crucial requirement for attracting new professionals and developing innovative top talent.

Customer intimacy - Strengthen autonomous growth

Success in our role as a System Innovator depends on us having a good understanding of our customers, comprehensive knowledge of their products and an awareness of developments in their end markets.
If we can anticipate both commercial and technological developments in all the relevant market sectors, we will be able to identify new opportunities early on and adjust our focus on our customer and product portfolios accordingly. This requires a more proactive approach aimed at strengthening strategic partnerships. Within those partnerships, we can offer added value to our customers at an earlier stage and secure early involvement in the development of a new system or product, resulting in new engineering and production assignments.

Focusing and professionalising account management, and strengthening the relationship with customers in this way, will help us to better fulfil our role as a strategic partner. This means that we will continue to invest in our technological know-how and growing closer to our customers in 2021. The One Neways programme makes us more targeted and effective by standardising business processes, working methods and data management within the group. It allows us to present ourselves as a coherent and consistent organisation, based on the combined joint competencies within the group.

Operational excellence - Improve operating performance and optimise use of Neways' global footprint

In a dynamic market with increasing product complexity and challenging demands in terms of quality and delivery reliability, operational excellence is a prerequisite for successful and consistently profitable operations. Neways controls robust and effective global supply chains that perform at the highest level and aim to achieve continuous improvement in quality, delivery reliability, technology deployment, efficiency and sustainability (QLTCS).

The processes and best practices in our group will be uniformly organised following the roll-out of One Neways. This allows us to respond better to changes in demand, to manage risks more effectively and to further professionalise the organisation as a whole.

We will also use our global footprint in a more targeted manner to offer our customers a broader range of services. For example, developing and producing prototypes, pilot projects and more complex products in our knowledge-intensive operating companies and offshoring high-volume production to our operating companies in the Czech Republic, Slovakia and China. In addition, we are starting up a (prototype) production facility in Silicon Valley, USA. With our global footprint, we not only offer customers optimal pricing during the life cycle of their products, we can also support them continuously via production sites that match their strategic and geopolitical choices.

Board of Directors
From left to right:
Paul de Koning (CFO),
Steven Soederhuizen (COO),
Eric Stodel (CEO)

2020 - A year with two faces

2020 was a challenging year, in which plummeting demand in Automotive in particular weighed heavily on the result. Compared to 2019, net revenue decreased by 10.3% to € 478.6 million. Our good strategic spread across the sectors helped us compensate for the drop in demand to some extent, largely thanks to growth in the Semiconductor segment. Thanks to rapid implementation of measures and the enormous adaptability of our employees, we were able to set up a safe working environment without any noteworthy disruptions in production, other than at Automotive. We also succeeded in making better arrangements with customers, resulting in an improvement in our working capital and inventory position.

We responded quickly to the acute production stop in Automotive by tightly monitoring working capital, focusing on cash management and adjusting production staffing in Germany to match the drop in demand. A provision of € 9.6 million, charged to the result for 2020, has been created to cover the costs of the restructuring exercise in the Netherlands and Germany. Those costs are offset by structural cost savings amounting to around € 8 million per annum, which will be fully reflected in our results from 2022 onwards.

The pandemic continues to create uncertainty and requires extra vigilance on our part. Even so, the order intake during the first two months of 2021 indicates an upturn. The priority for this year is to redesign the way we work and restructure the organisation to better align it with our role as a System Innovator and Product Life Cycle Partner. We see this as the main prerequisite for raising our profitability on revenue to a structurally higher level. We will also invest in specific knowledge areas where we see opportunities to deliver higher added value to our customers as a System Innovator.
Strengthening long-term partnerships with customers, taking action to unify business processes and intensifying knowledge exchange form the basis for our future growth.

Strategic progress

In 2020, we added further depth to our strategy by consciously opting for closer involvement with our customers as a System Innovator. Collaboration at an early stage of development allows us to better leverage our engineering expertise and further develop our role as a knowledge centre in our chosen growth sectors.

System Innovator

This strategic reorientation as a System Innovator means that we must invest in knowledge areas and strengthen the level of internal collaboration. It also requires us to take a critical look at the current cost structure.

In 2020, we identified roughly thirty knowledge domains where Neways' engineering expertise is a clear differentiation factor. We have formed several project teams and freed up engineering capacity to further elaborate our approach in a number of these areas. These actions resulted in five reference designs and use cases in 2020. Fifteen system architects have developed combined propositions, which we can now offer to the operating companies. We are encouraging engineers, account managers and procurement staff to work closely together. This means proactively proposing ideas to meet customer needs and taking the initiative in coming up with innovative solutions. We are offering customers more integrated assemblies and box-build systems. Where applicable, we are also investigating the possibilities for further integration with mechanics, mechatronics, plastics and composites. In 2020, we clearly saw an increasing level of demand for the more integrated assemblies in our pipeline. This resulted in fifteen new partnerships in 2020/2021, representing a revenue of € 26 million, and the expectation is that the revenue associated with activities of this type will double in 2022.

At the same time, we had to deal with the production stop in Automotive in 2020. We responded by slimming down our organisation where possible and intervening specifically in the operating companies in Germany and the Netherlands. The workforce reduced by 200 FTEs in 2020. The resulting structural cost savings amount to around € 8 million per annum, and will be fully reflected in our results from 2022 onwards. Thanks to these changes, we have a stronger foundation for future growth and have freed up capacity for customers that better fit our role as a System Innovator.

One Neways

The coronavirus pandemic has further highlighted the need for a more effective organisation. We are improving our decision-making and efficiency by standardising business processes. In 2020, we completed the design phase for the ERP system. This new system uses standardised business processes based on input from all the operating companies. The roll-out to the first operating companies will start in 2021, and it will eventually replace the three ERP systems that currently operate in parallel within Neways.

We also launched the Neways4U intranet system in 2020. This facility allows different project teams to maintain contact with each other, exchange knowledge and share their successes. It will be instrumental in guiding employees through the various phases of Project One and increases commitment and transparency. At the same time, we set up the Internal Communication Coordinators (ICC) working group to harmonise the implementation of Corporate Design and Identity and improve Neways' brand recognition.

More intensive collaboration

The coronavirus pandemic has also accelerated Neways' adoption of digital communication. Digitalisation makes it easier to establish contact and contributes to more intensive international collaboration. However, we also see that aspects of personal contact are missed, because it speeds up the implementation of new initiatives and makes the exchange of ideas easier.

When it became clear to us that the coronavirus pandemic would have an impact on our supply chains, we immediately formalised the partnerships with our suppliers in the Neways demand-supply task force. In addition, we can clearly see that intensifying collaboration with customers in order to set up satisfactory arrangements has resulted in relatively lower inventory and outstanding accounts receivable positions, in spite of the turbulent environment.

In 2020, we also carried on expanding and developing the Neways Procurement Academy, which was launched in 2019. In the new programme, we have developed project modules together with a knowledge partner to further intensify the focus on exchanging knowledge and experiences. This approach ensures that we implement projects in a uniform and professional manner.

Financial and operational summary

The following summary shows a reconciliation of the operating result and net profit with the normalised operating result and normalised net profit.

€ millions, unless stated otherwise	2020	2019	Δ
Net revenue	478.6	533.4	–10.3%
Order book (at year-end)	225.0	291.4	–22.8%
Order intake	416.4	520.5	–20.0%
Book-to-bill (ratio)	0.87	0.98	–10.9%

Net revenue decreased by 10.3% to € 478.6 million, mainly due to a drop in sales in Automotive and the automotive-related part of Industrial. We also ended the trading relationship with some customers where profits were low.
The order intake was down 20% compared to the previous year due to postponements and plummeting demand in Automotive. In Semiconductor and Medical, on the other hand, the order intake increased compared to 2019. The final book-to-bill ratio was 0.87.

Net revenue – by market sector

€ millions, unless stated otherwise	2020	2019	Δ
Industrial[1)]	144	163	–11.5%
Semiconductor	162	145	+11.9%
Automotive	114	160	–28.5%
Medical	53	54	–2.3%
Other	6	11	N/A
Total	**479**	**533**	–10.3%

1) As of 2020, Defence is included in Industrial and no longer reported separately. The comparative figures for the 2019 financial year have been adjusted accordingly.

In Automotive and Industrial, revenue fell by 28.5% and 11.5% respectively. After the temporary closures of major car manufacturers' production facilities and the end of the first lockdowns in the first half of the year, a cautious recovery followed in Automotive, with revenue remaining well below the level achieved in the previous year. In the Semiconductor segment, revenue increased by 11.9% in 2020, and Medical remained at much the same level as the previous year.

€ millions, unless stated otherwise	2020	2019	Δ
Normalised gross margin	175.6	196.6	–10.7%
Normalised operating result	7.9	15.9	–50.3%
Margin	1.6%	3.0%	–44.8%

Our gross margin fell by 10.7% in absolute terms. However, the gross margin expressed as a percentage of revenue remained stable at 36.7%. Although the lower level of demand in the Automotive sector had a positive influence on the relative margin mix, this was offset by the increase in demand for box-build systems.

The operational costs (excluding the one-off restructuring expense) for the 2020 financial year decreased by 7.2% to € 167.7 million. This drop is mainly driven by the reduction in flexible staffing and indirect employees, by the short-time working (Kurzarbeit) in Germany and by other cost savings.

Personnel costs also decreased by 7.9% to € 127.6 million. Expressed as a percentage of gross margin, personnel costs increased from 70.4% in 2019 to 72.7% in 2020, primarily due to the fact that the reduction in headcount could not keep pace with the sharp and abrupt drop in demand we saw in Automotive in the spring.

The normalised operating result came in at € 7.9 million, a reduction of 50.3%.
The provision of € 9.6 million created for the previously announced restructuring exercise in Germany and the Netherlands mainly consists of redundancy payments, costs for remodelling organisational processes and a write-down on inventories. After deduction of this one-off expense, the operating result was €–2.5 million.

€ millions, unless stated otherwise	2020	2019	Δ
Finance costs (net)	2.1	2.9	–28.6%
Tax burden	–13.7%	30.2%	–145.3%
Net profit/loss	–3.9	8.5	–146.1%
Earnings per share (€)	–0.32	0.70	–145.7%

Due to strict working capital management and the resulting lower average debt position, the finance costs decreased by 28.6% compared to 2019. The loss in Germany resulted in a tax credit in 2020, i.e. a tax asset, which was added to the tax loss carryforward. The net result was €–3.9 million.

Dividend

The net result for 2020 was negative. In line with the dividend policy, the General Meeting of Shareholders has been asked to determine that no dividend will be paid for the 2020 financial year. Neways intends to pay the cancelled dividend for the 2019 financial year in 2022, if the year progresses in line with plan.

Financial health

€ millions, unless stated otherwise	2020	2019	Δ
Cash flow from operations	40.9	29.4	39.1%
Net working capital (at year-end)	60.4	81.5	–25.9%
Additions	–3.3	–13.0	–74.6%
Net cash flow	37.6	16.4	129.3%

Due to the increased focus on costs and cash following the pandemic outbreak, the cash flow from operations increased by 39.1% to € 40.9 million. Working capital decreased by 25.9%, mainly due to a strong reduction in the inventory position (–18.2%). The inventory turnover ratio, measured against invoiced revenue in days, reduced from 72 at the end of 2019 to 69 at the end of 2020. The days sales outstanding improved to 35, compared to 38 in 2019, and is at a low level. The days payable outstanding reduced from 56 days at the end of 2019 to 50 at the end of 2020 due to faster payment.

Neways has taken advantage of several government schemes as a precautionary measure. For example, we made use of short-time working (Kurzarbeit) in Germany and the NOW salary compensation scheme in the Netherlands, and also received authorisation to postpone the payment of taxes and social security contributions. This had a positive effect on cash flow, amounting to € 8.8 million. Because Neways ultimately did not meet the criterion of a drop in revenue of at least 20% for the NOW scheme, the advance received in 2020 was repaid during the first months of 2021.

Capital expenditure decreased by € 9.7 million to € 3.3 million (0.7% of net revenue), which, partly due to the temporary addition freeze in response to the pandemic, lies well below the level of amortisation and depreciation. The additions made in 2020 were limited to unavoidable replacement investments.

The net cash flow was strong at € 37.6 million during 2020, which is more than double the cash flow in 2019.

€ millions, unless stated otherwise	Year-end 2020	Year-end 2019
Net debt/EBITDA	1.5	2.2
Interest coverage	3.8	5.4
Solvency[1)]	43.6%	38.2%

1) Guaranteed capital as a % of the balance sheet total.

Net debt came to € 33.5 million (including € 30.9 million for lease liabilities) at year-end 2020, down 51.7% from year-end 2019 due to the strong positive cash flow.

At the end of 2020, Neways met the requirements of the covenants associated with its outstanding credit facility. The banks have issued a waiver in respect of the restructuring provision. The normalised EBITDA over the last 12 months (LTM) was € 16.5 million, which is above the minimum stipulation of € 12.5 million. The guaranteed capital amounted to € 102.0 million. The corrected guaranteed capital (guaranteed capital minus intangible fixed assets and deferred tax assets) was € 92.9 million at the end of 2020. This is well above the stipulated amount of € 55.0 million. The solvency ratio rose from 38.2% to 43.6% at the end of 2020.

Involvement from the initial design stage

"As a System Architect, you are responsible for all technical aspects of a product. I and my team start by looking at the functional requirements the customer has defined for a particular component. We develop a technical concept that meets those requirements. Next, I work with the engineers to assess how the concept can be implemented and verified for the system that our customer is developing.

This year, due to the coronavirus outbreak, the way we work as a team changed significantly. This new way of working is challenging, but has also revealed the strength of our collaboration as a team. Even though we do not meet up physically as often as before, everybody is aware of their colleagues' home situations and we look out for each other. That says something about the culture at Neways. We have shared ambitions as a team, but don't compete with each other in order to shine individually. Everybody is committed to the collective task and open to feedback to improve our team performance.

The project my team is currently working on is to develop and improve a robotic eye laser system. We are helping our customer perfect the moving parts of the robot, to make it more user-friendly and mobile. I think this project qualifies as an early example of the System Innovator approach. Obviously, our first goal is to deliver what the customer has requested and exactly meet the requirements. But we are also offering support and critically assessing the impact of our components on the overall design. Based on this approach, we can propose changes for improving the design at an early stage. In my experience, customers appreciate it when we come up with solutions that they may not have thought of themselves at the initial concept stage. It's good to see that we are relying more on our own expertise. After all, we can do much more than simply make good components and we should be proud of our proven ability to innovate to improve designs.'

BUILDING SMARTER SYSTEMS FOR A CHANGING WORLD

SMARTER SOLUTIONS

CONTRIBUTING IDEAS

EXPERTISE

COLLABORATION

DR STEFAN GÖCKERITZ
SYSTEM ARCHITECT
NEWAYS TECHNOLOGIES

AUTOMOTIVE INDUSTRIAL

Knowledge centre for smart charging systems

Charging stations

Neways has been involved in the design of charging cables since 2014, and that early involvement has helped us develop into a knowledge centre for this new technology. Our extensive experience with charging cables has been incorporated in the reference design for charging stations that we recently produced.

We see that electrification has taken off in the automotive industry, leading to rocketing demand for smart charging systems. At the moment, a charging cable has to comply with automotive and industrial standards. Paradoxically though, a charging station only has to comply with the standards for industrial products. Neways has created this reference design for charging stations to help customers develop products based on design principles that can be quickly adapted to new standards. As the industry matures, more European regulations will inevitably follow, both in the area of user safety and privacy. We keep a close eye on developments in the sector for our customers and follow new standards closely.

Our reference design offers customers two benefits: the certainty that a design brought to market now will stay usable for an extensive period of time, and the ability to scale up production quickly. We have produced a design that allows easy activation or deactivation of standard and optional features, so that customers, in consultation with Neways, can adapt the final product as they wish and in line with market requirements.

Neways 2020 - Remote, but still close together

Everybody at Neways adapted to the new normal at lightning speed in 2020. A new normal that involved extensive use of hand soap, walking on marked routes, wearing face masks and maintaining a safe distance of one and a half metres. This health crisis has affected everyone in a different way. During our work, we particularly missed having direct contact with our colleagues. But we also came up with creative ways of staying in touch with each other, in spite of this situation.

Nearly 3,000 flower arrangements were sent out, to bring nature indoors. Thanks to online events, virtual communal sports sessions and the introduction of the fruit break, Neways became healthier as a company. Neways also arranged distractions and entertainment for parents who suddenly found themselves having to teach their children as well. And in this year of enforced physical distancing, we cheered each other up with positive and funny messages and were actually brought closer together by drawing competitions and *Sinterklaas* gifts for the children.

No. of Teams meetings
in the period from April to December

38,000

2,835
flower arrangements sent to employees and agency workers

Video messages
instead of physical meetings

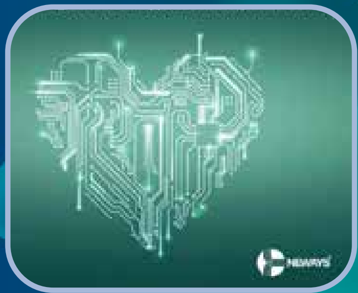
Online pub quiz
a popular game in a digital setting

Alternative Christmas party
Partying at specific times for each department, while maintaining a suitable safe distance and with coronavirus-proof treats to take away

Happy Easter
Managers personally delivered Easter eggs to employees working from home

Online bingo in production
Live for the colleagues on the floor and via Teams for the employees working from home

Everything's gonna be alright
Video by colleagues for colleagues



Keeping people's spirits up in difficult times
'Thinking of you' gift box

Home office interviews
Sharing great stories with colleagues

Home office competition
Who has the most original home office?

***Sinterklaas* gift**
Something tasty and a present for the kids

Drawing contest
Design a Christmas card

Online fitness and yoga classes
Three exercise classes a week for the whole organisation

Fresh fruit
For the people working on-site

Health and care package
Vitamins and face masks for prevention and protection

Management agenda and outlook

The coronavirus pandemic demonstrated once again how important it is for an organisation to be efficient and flexible in order to respond adequately to changes in the market and customer demand. We have identified the following three strategic initiatives for 2021:

System Innovator

Our priority in 2021 is to fulfil our role as System Innovator more forcibly. In concrete terms, this means that we collaborate with our customers at an early stage in the supply chain to find the best possible technological solutions for the development of systems and subsystems. Our added value in design & build takes centre stage in this approach, resulting in future growth with higher profitability.

More conscious choices in market sectors selected based on growth potential, in combination with our technology roadmaps, result in optimal use of our expertise.
The aim is to strengthen our long-term position and commitment to customers, both in the early stages of development and manufacturing processes, and throughout the life cycle of their systems and products.

One Neways

The One Neways programme, which focuses on standardising processes and creating a winning culture in the worldwide organisation, will be rolled out further.
The overall objective is to harmonise working methods, standardise information flows and make end-to-end processes more flexible and efficient.
In 2021, we will start rolling out a single ERP and MES system.

Restructuring and transformation

During the first half of 2021, we will finish implementing the changes to our organisation in Germany and the Netherlands, as announced previously. In parallel to this, we are starting a transformation process within our international organisation that aims to improve cross-functional collaboration between all the primary and supporting organisational units. Increasing customer intimacy and achieving operational excellence have been identified as key objectives.

This transformation promotes further integration and strengthens collaboration between our market sector teams, technology domains, operating companies and supporting functional departments. The implementation is based on a new operating model that also focuses on achieving more effective internal governance, control and communication.

We have formulated six priorities for 2021 to ensure that we implement these three strategic initiatives:

Focus on generating new business as a System Innovator and through product life cycle management solutions with higher added value for our customers.	Tightly control operational expenditure and additions to safeguard continuity.	Strengthen long-term partner-ships with our customers based on continuous improvement of our three strategic cornerstones: customer intimacy, technology leadership and operational excellence.
Apply standardised business processes and IT systems and harmonise our corporate culture.	Strengthen international supply chains through improved materials management, procurement management and risk management.	Develop talent and leadership skills and strengthen the level of teamwork between all business-critical functions within Neways.

All these priorities are ultimately intended to make Neways more robust and competent at an accelerated pace, while at the same time structurally raising our profitability to a higher level.

Outlook

Neways started 2021 with a smaller order book than at the beginning of 2020. However, the order intake has been more buoyant across the board during the first months of 2021. Looking at the sectors, we see that Semiconductor remains as strong as ever. Medical and Industrial customers are more positive in their plans and projections. Automotive shows cautious recovery, but the e-mobility market remains erratic. As part of the restructuring and transformation exercise, we are focusing our attention specifically on automotive and automotive-related industrial activities with high growth potential to ensure that we can respond optimally as soon as this market picks up again. Our financial position remains strong.

In the short term, the uncertainty caused by the Covid–19 virus continues to affect business activities and we foresee no or limited growth in 2021. Obviously, we are closely monitoring these developments and continue to tightly control our cost levels and cash flow. In view of the threat posed by new virus variants and probable further lockdowns, ensuring a safe working environment for our employees and safeguarding the continuity of our business activities remain our top priorities in this phase.

Our focus lies on generating new business and on strengthening our position as a System Innovator and product life cycle partner. This strategic choice means that we can continue to differentiate ourselves and offer greater added value to existing and new customers in the growth markets in which we are active.

Organisation and employees

Expertise and understanding of our customers' technology and sectors are the basis of Neways' positioning as a System Innovator. Sharing knowledge and harmonising work processes are helping us to develop into a knowledge-intensive organisation in which close-knit collaboration with the customer is our overriding priority. In 2020, the coronavirus crisis accelerated the implementation of One Neways due to increased digitalisation. However, because physically being able to meet up with colleagues is an important aspect of creating connections, it also had an adverse effect.

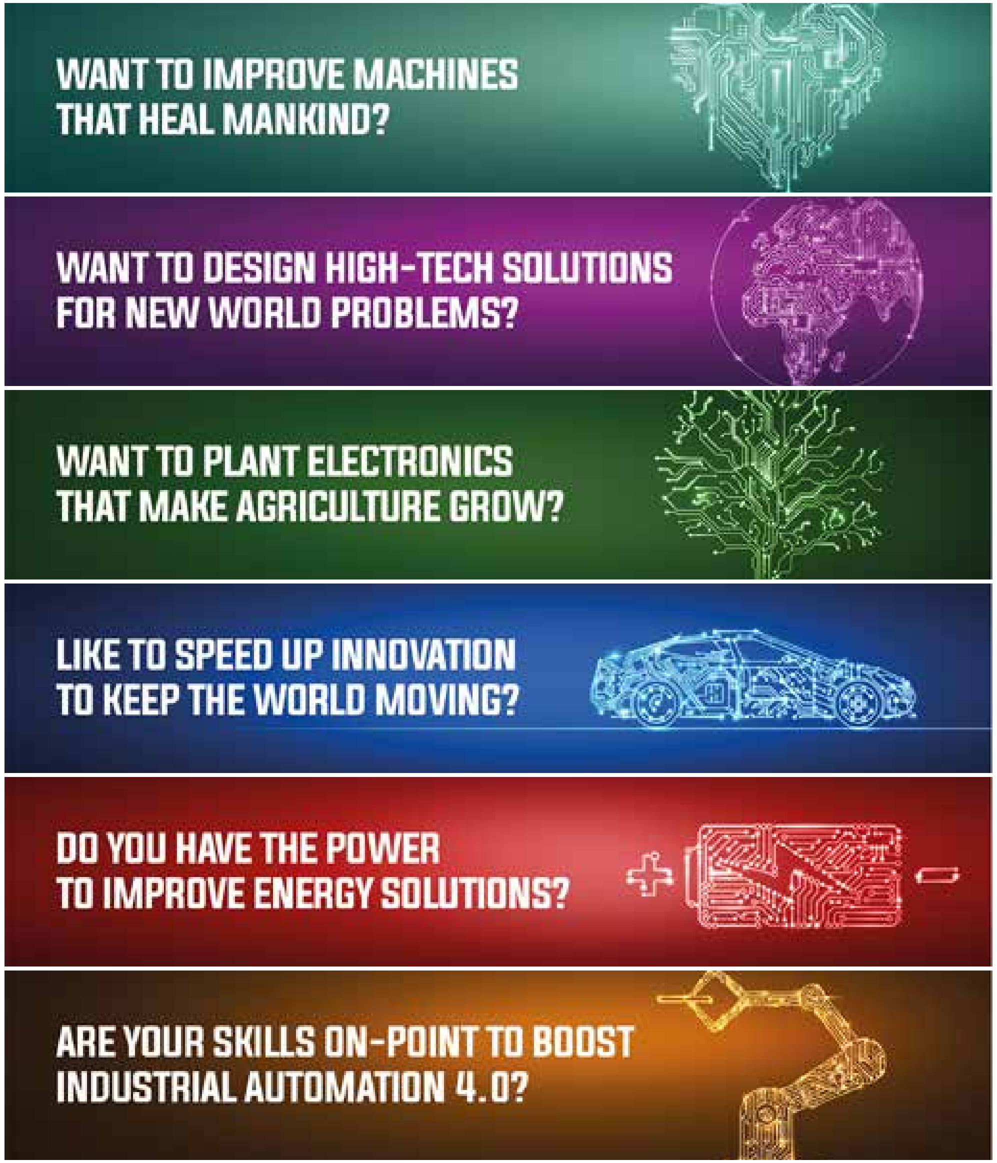
Neways has fourteen sites, on three continents, which were brought into the company by several acquisitions. To enhance uniformity in working methods across the operating companies, Neways' DNA has been analysed and formulated as a culture programme, and various initiatives have been started to promote good teamwork and the exchange of knowledge and experience. Common programmes and a single language promote collaborative connection.

Organisation

The holding company is responsible for strategic and financial management for the entire group. In recent years, the holding company's role has been expanded to include new central functions in areas such as logistics, engineering, quality and compliance. In 2020, we completed the process of bringing the ICT staff at various operating companies under the management of the Head of Corporate ICT. This centralisation promotes standardisation of working methods and will optimise the use of the new IT systems that are being implemented as part of Project One. The holding company employed 71 people at the end of 2020.

Employee mix

Neways employs more than 2,600 people, of which 2,400 are company employees and 200 are temporary workers. Neways aims for a good balance between men and women, young and old, and maintains a flexible workforce component in order to respond quickly to fluctuations in demand. In 2020, we looked critically at staffing levels and major changes to the organisation in some areas to meet shifting customer demand.



In the Netherlands and Germany, we started a restructuring exercise in 2020, which will ultimately result in a total reduction of approximately 350 FTEs by the end of 2021. The resulting structural cost savings amount to around € 8 million per annum, and will be fully reflected in our results from 2022 onwards. This correction brings production staffing more into line with the expected level of demand in Automotive and helps us harmonise work processes. We now have a stronger foundation for future growth and we have freed up capacity for customers that better fit our role as a System Innovator. The restructuring exercise is expected to have been completed by the end of the second quarter of 2021.

Attractive employer

To strengthen Neways' profile and increase the company's appeal as an employer, our communication in 2020 focused on online channels. Neways has set up an arrangement with an external recruitment agency that specialises in online positioning. Specific messages have been developed for each market sector and we launched targeted marketing campaigns. This approach was highly successful and resulted in the recruitment of various specialists, including staff for Neways Technologies.

External communications are designed around recurring themes to put talent and talent development in the spotlight via various communications channels. That Neways is increasingly seen as an attractive employer is indicated by the growing number of high-quality responses to our vacancies.

Coronavirus task force

A coronavirus task force has been set up at corporate level to incorporate government guidelines in internal rules and regulations, draw up policies for creating a safe working environment and monitor the day-to-day operations at the operating companies. The first priority was to ensure the health and safety of our employees. The next most important priority was to ensure continuity of our business operations by minimising contacts and contact times, and optimising production staffing. Procedures and methods have also been developed for internal source-and-contact tracing to prevent the spread of the virus in the workplace.

In March, a coronavirus task force was set up at each operating company. All operating companies provided regular updates on the number of absences. Thanks to this tight coordination and clear communication with the staff, we managed to maintain good staffing levels. Several contingency plans have been drawn up to ensure adequate staffing, even in situations of high absenteeism, by identifying who is the first stand-in for each position in the organisation.

In addition to adapting the situation in the workplace - by marking out walking routes, staggering break times and placing greater emphasis on hygiene and cleaning - various initiatives were launched to support people working from home. We compiled working-from-home tips for managers and employees, and encouraged them to stay in touch with each other on a regular basis. To help people working from home stay fit and healthy, we launched pilots that encourage exercise and relaxation during the working day.

Employee participation

In the Netherlands, employee participation is organised for each operating company in works councils that are represented at central level in the Central Works Council (CWC). The CWC is made up of representatives of the different works councils. During the past year, the CWC met twelve times. In 2020, the CWC successfully completed the task of setting up works councils at all the operating companies. The Corporate Governance section on page 42 contains the report of the Central Works Council.

System Innovator

Our customers are setting increasingly demanding quality requirements, our projects are becoming more extensive in scope and involve more employees. In response, we added several on-boarding modules to our e-learning system in 2020. These modules help employees familiarise themselves more quickly with Neways' working methods and processes. In addition, the e-learning system will also be used for the new working methods associated with the implementation of the ERP and MES system.

Commitment

Alongside more extensive employer branding via LinkedIn, we also launched the new Neways4U intranet facility to promote internal communication. It will be used for communication with employees in the different phases of Project One, and to keep everyone informed of company-wide developments. This focus on communication increases commitment, ensures transparency and strengthens teamwork.

People development

The Neways Procurement Academy, launched in 2019, has been expanded further in line with the plan for 2020. In addition to the personal development of all the purchasers within Neways, teamwork and the exchange of knowledge and experiences have been given a boost. Strengthening leadership skills is an essential part of the programme to upgrade procurement as a discipline within Neways. A project management module for use by employees when starting new projects has been developed together with an external partner. This module ensures that we implement projects in a uniform and professional manner.

Following the success of the first edition of the Young Potential Talent Programme, a second group of talented young employees was formed in November. Seven Dutch and seven German employees are now working on two group-wide projects and participating in a twelve-month personal development programme. The direct managers in question and a personal mentor, who has been specially trained as a coach for this programme, provide guidance and supervise the activities of this group of young potentials.

To give everyone at Neways the opportunity to develop further, a digital e-learning module has now been purchased to supplement the sector-specific 'Ozone' e-learning environment. All employees have access to over 150 high-quality training courses in English, German and Dutch.

Expertise is key to success

"As a New Product Introduction buyer (NPI), my first position at Neways, I was in touch with customers and suppliers on an almost daily basis to jointly develop new products. At that time, my work involved liaising between Neways Technologies and Neways Advanced Applications and I also initiated 'earlier supplier involvement' in that role. We involved suppliers at the beginning of the design phase to make sure that the design we had on the drawing board was also feasible in practice. This approach puts us in control of the production and supply chain and keeps costs low. In 2016, I moved to a new position and now represent the Healthcare segment in the management team at Neways Advanced Applications.

In my role as Healthcare business manager, I see that we clearly differentiate ourselves from competitors because of our experience in the field of flex-rigid. Few EMS companies can rival our expertise in this area, and it takes years to build up this level of experience. That expertise is the result of long and intensive relationships with our customers, and is also a good example of our System Innovator philosophy: We know what is going on in the sector and what impact that has on our customers. Armed with that knowledge, we know which activities are worth developing and which are not: the result is a continuous feedback loop, which drives steady product improvement.

Because we know our customers' products so well, we are capable of providing service back-up for the entire system life cycle. Life cycle management means that we contribute our expertise to help customers keep their products, such as an MRI system, operational for as long as possible. If a component threatens to become obsolete, we form an end-of-life inventory and work with the customer to look for solutions that assure continued production and repair capabilities.

Before joining Neways in 2013, I worked for a major American company. Based on that experience, I know what the differences are and what makes Neways so special. Neways Advanced Applications is large and professional enough to operate as a serious player in the market, but has all the advantages and charm of a smaller company. There is room for personal initiative, and everybody willingly contributes knowledge and expertise when you need their input."

BUILDING SMARTER SYSTEMS FOR A CHANGING WORLD

SMARTER SOLUTIONS

CONTRIBUTING IDEAS

EXPERTISE

COLLABORATION

NANDA VONK-SEELE
HEALTHCARE BUSINESS MANAGER
NEWAYS ADVANCED APPLICATIONS

Corporate Social Responsibility

For Neways, corporate social responsibility means a safe working environment for our employees, strengthening the local community and contributing to a cleaner and healthier environment. We are committed to switching to more environmentally friendly materials, designing production processes to be more sustainable, reducing residual waste and reusing items. These objectives seamlessly match our ambition to operate as a long-term partner for our customers.

Neways prioritises the following areas in corporate social responsibility:
- create and maintain a safe working environment;
- promote the efficient use of water and energy;
- reduce waste and encourage reuse;
- increase local sourcing of materials;
- promote fairness in the supply chain and a more conscious choice of materials;
- stimulate young people's interest in technology.

In addition to these priorities, we also focused on creating a safe working environment to minimise the risk of infection with coronavirus in 2020.

Performance indicators were defined and measured for the first time in 2018. We assessed our performance again in 2020 in comparison to the 2019 result and the 2018 baseline measurement.

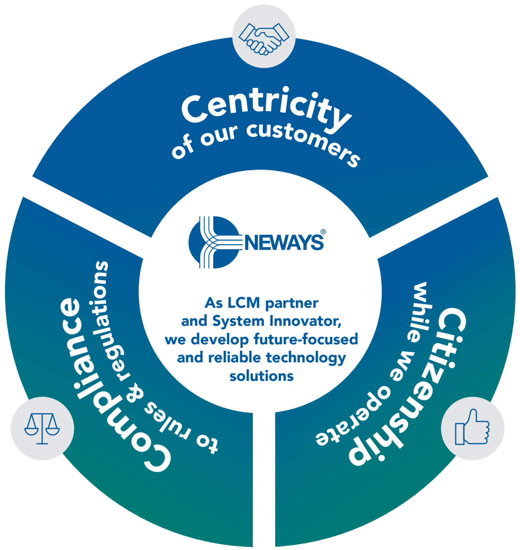
Vision on sustainability
Neways focuses primarily on sustainability aspects that are relevant to the sector in which we operate and the future of our company. We move with our customers, and as a System Innovator, we give them the benefit of our ideas for making their production processes, and use and maintenance of their systems, more sustainable. We want to tailor our offer as closely as possible to the choices and dilemmas that our customers face in this area to jointly develop reliable, future-oriented solutions.

Policy and results by priority area in 2020

Safe working environment and healthy employees
Neways' workforce is its greatest asset, so providing a safe working environment and protecting the health of our employees are top priorities.

The table on page 34 shows the number of incidents and the sickness absence rate for the entire Neways group in 2020. This report is based on the Global Reporting Initiative (GRI) guidelines. All incidents (both large and small) can be categorised as recordable and non-recordable. Non-recordable incidents are incidents that do not lead to sickness absence and only require standard first aid treatment. Recordable incidents are incidents that require medical intervention or lead to sickness absence. Major incidents are by definition recordable.

- Of the 118 incidents in 2019, 25 qualified as recordable.
- In 2020, 15 of the 150 incidents were recordable.



An important metric associated with GRI 403 is the Total Recordable Incident Rate (TRIR), which compares the total number of recordable incidents to the total number of hours worked during the same year. This metric allows us to compare Neways' safety performance to the industry average.

In 2020, 150 minor incidents occurred and there were 46 near-misses.
There were no major incidents in 2020. The number of incidents in 2020 is higher than in 2019. One possible explanation is that accidents and absence were monitored more closely due to the coronavirus situation.

The TRIR for Neways came to 0.56 in 2020, which is an improvement relative to the TRIR of 0.85 in 2019. Neways also scored better than the industry average (1.4 in 2019).

Incidents and sickness absence	2020	2019	2018
Major incidents	0	0	0
Minor incidents	150	118	110
Near-misses	46	79	67
Sickness absence rate	4.3%	4.2%	4.8%

Employee commitment and education play an essential role in preventing and resolving incidents and long-term sickness absence. In 2020, additional sickness and absence monitoring procedures were introduced as part of a package of measures for monitoring the impact of the coronavirus pandemic on the organisation. In 2019, the Material Safety Data Sheets for working with dangerous substances were revised. Additional hygiene requirements in connection with coronavirus were added this year.

We aim to increase safety awareness throughout the organisation by raising our employees' awareness of health and safety risks and making it easier to report incidents – including minor ones – and near-misses. This was reflected in 2020 by our investment in a Neways-wide training platform that also offers training courses related to health & safety:

- Safety: machine handling safety, hazardous substance recognition and handling, personal protective equipment and working at heights, etc.
- Health: workplace hygiene, physical strain, Health and Safety legislation and regulations (Arbowet), ergonomics, life-saving procedures, harmful noise levels, etc.

The safety policy is regularly assessed by the management teams at the individual operating companies. For example, members of the Safety, Health, Welfare and Environment Committee at the individual sites regularly perform safety inspection rounds at their facilities in the presence of a representative of management and a member of the Company Emergency Response Team (CERT). Other safety activities include regular Company Emergency Response and First Aid training courses and regular evacuation drills to ensure that everybody can respond adequately if required.

Among other things, the Neways Code of Conduct highlights our commitment to respecting human rights and good working conditions around the world, interacting with each other respectfully, and integrity and ethical conduct. During the past year, GDPR regulations were included in the Code of Conduct. The Code of Conduct is available for reference on the corporate website (www.newayselectronics.com).

Efficient use of energy and water

Neways aims to reduce its consumption of energy and water for production activities. When building new production facilities and extending existing production facilities, we ensure compliance with modern energy efficiency standards. Neways also wants to reduce its use of fossil fuels and limit its ecological footprint.

Energy

In 2019, an energy audit was performed in accordance with the European energy efficiency directive. Based on this audit, Neways implemented a range of energy-saving measures in 2020 and set up regular monitoring to assess the results:

- Heat loss has been further reduced by installing insulation around ventilation ducts, water pipes and fittings.
- The installed capacity of the outdoor lighting has been reduced and, where possible, replaced with LED lighting.
- The supply temperature of the hot water in the central heating system is now automatically controlled to minimise energy consumption.

At Neways Advanced Applications, new air handling units and boilers were installed in 2020, and the building management system (PRIVA) was optimised. In addition, the Dutch operating companies have set up an initiative to replace the coffee cups with cups made from a recyclable material.

Water

In addition to reducing water consumption for its own activities, Neways helps customers produce efficiently and use water sustainably.

The table on this page shows the absolute consumption of energy and water within the group, and the relative consumption based on revenue. Our objective here is to achieve a better energy efficiency ratio, i.e. the number of terajoules (TJ) divided by the revenue in millions of euros.

We use the same approach to assess our absolute and relative water usage. In this case, we divide the number of cubic metres by the revenue in millions of euros. In 2020, the energy efficiency ratio worsened slightly and the water efficiency ratio showed a slight improvement. Reducing our consumption of energy and water is part of our programme to make production processes more efficient, and is a priority for Neways. The substantially lower level of production explains most of the increase in the energy efficiency ratio.

Energy and water consumption	**2020**	2019	2018
Energy consumption (TJ)	74.92	79.26	80.29
Energy efficiency ratio (TJ/€ millions)	0.157	0.149	0.158
Water consumption (m^3)	23,936	27,583	25,336
Water efficiency ratio (m^3/€ millions)	50.01	51.75	49.99

Waste and reuse

Neways limits its use of raw materials and consumables by making production processes more efficient and by recycling waste to the greatest possible extent.
During the past year, we started two projects to separate waste more completely and more efficiently. We have invested in waste disposal stations made from recycled materials, which have separate containers for biodegradable waste, recyclable waste (plastic, metal and beverage cartons), general waste and paper. We continuously monitor the effects of these initiatives in terms of the total reduction in our waste flows and will roll out successful projects to the other operating companies.

In accordance with Article 19a of EU Directive 2014/95/EU on the disclosure of non-financial information and diversity information, Neways is currently taking action to limit the potential environmental risks associated with its activities. During the course of the year, Neways regularly checks its production emissions for the presence of dangerous substances. In addition, the small quantities of dangerous substances that we require for our work are kept in a locked, explosion-proof area and each substance is stored in separate leak-proof containers. Neways does not require environmental permits to carry out its operating activities.

The table below shows Neways' waste flows, split into chemical and industrial waste, both in terms of total quantities and the percentage of the plastic and materials that Neways recycles as a group.

Waste and recycling	**2020**	2019	2018
Waste (total) x 1,000 kg	1,008.6	1,011.8	936.8
Chemical waste x 1,000 kg	24.1	35.8	35.3
Industrial waste x 1,000 kg	674.7	737.8	764.8
Recycled waste (total) x 1,000 kg	779.6	751.8	598.6
Plastic waste (% of total)	14.2	11.5	12.2
Materials waste (% of total)	63.1	62.8	51.7

Local sourcing of components

We can make a real impact by collaborating with all the parties in the supply chain.
In addition to using and implementing sustainable production methods, we are committed to making the supply chain more sustainable. One of our objectives is to act as a knowledge partner for our customers in relation to sustainability in the supply chain. We share our knowledge of sustainability with customers and make recommendations regarding sustainable components and suppliers.

As a knowledge partner, we offer authoritative guidance on responsible and sustainable production methods and compliance with valid legislation and regulations relating to working conditions and the environment.

We set up our supply chains as efficiently as possible and try to limit their ecological footprint by reducing the distances components have to travel. Where possible, Neways collaborates with local suppliers: 65% of all materials and parts procured in 2020 were purchased locally. This is the percentage of the purchase budget spent with suppliers within a distance of 600km from a Neways operating company.

Local procurement	**2020**	2019	2018
Procured locally (%)	65.0	65.0	60.3

Fair supply chain and conscious choice of materials

The contracts Neways enters into with its suppliers require them to comply with all applicable legislation and regulations relating to working conditions, corruption, the environment and other aspects. Our Code of Conduct also explicitly prevents Neways from doing business with organisations that violate fundamental human rights and do not operate in an ecologically responsible manner.

We are particularly vigilant when procuring tungsten, tin, tantalum and gold, also known as 3TG, which may originate from conflict zones such as the Democratic Republic of the Congo or one of its neighbouring countries. The proceeds from the sale of conflict minerals are used to fund armed conflict and can result in human rights violations, environmental abuse and forced labour. When importing materials, Neways complies with its supply chain due diligence obligation under EU Regulation 2017/812, and with all other relevant regulations, as set out by the Electronic Industry Citizenship Coalition (EICC), the American Dodd-Frank Act, and the Responsible Business Alliance.

We also help customers by identifying suppliers that may be using conflict minerals. We report the findings of the mandatory due diligence investigation in the Conflict Minerals Reporting Template (CMRT). In 2020, 97.5% of our suppliers were known not to sell components containing conflict minerals. This percentage, which started at a modest 75% in 2017, increased to 90% of our suppliers in 2018 and rose further to 93.5% in 2019. Our aim is to clarify this issue in relation to all suppliers as soon as possible.

In cases where we identify the use of conflict minerals, Neways' first action is to initiate discussions with the supplier concerned and request the use of different materials. If that request falls on deaf ears, Neways investigates possible alternative solutions with customers and suppliers.

Interest young people in technology

Neways wants to raise society's interest in science and technology and encourage pupils and students to choose science subjects. Neways Riesa, for instance, participates in the supervisory boards of various training institutes in Saxony and the local vocational training committee of the Chamber of Commerce and Industry of Dresden.

In the Netherlands, Neways focuses specifically on increasing the popularity of science, technology, engineering and mathematics (STEM). The high level of interest in technology in the Netherlands has helped make it one of the most innovative economies in the world. This is not only important for Neways and the Netherlands; simply being part of this STEM community is also great fun. For example, the Stella Vie, a project partly supported by Neways, successfully participated in the 'iLumen European Solar Challenge' in Belgium during the summer of 2020.

Diagnostic information cuts costs

Remote performance diagnostics

Traditional design approaches focus on reliability, time-to-market and the cost of a component or subsystem. As systems become more complex, the likelihood of a stoppage or fault occurring during operational use increases due to the increased level of subsystem integration. Neways' remote performance diagnostics methodology improves the interaction between different subsystems, minimises the margin of error and allows remote monitoring of the subsystems' health status. By designing the electronics in a smarter way and analysing potential problems in advance, Neways delivers higher quality and system availability, and more targeted product serviceability.

This design philosophy places greater emphasis on the total cost of ownership of a system, as opposed to the cost and reliability of individual components/subsystems. Because Neways is involved as a partner from the beginning of the development process, customers need less time to build and validate a system. Having diagnostic information available in relation to the entire system reduces the time customers have to spend troubleshooting integration issues and calibrating the system, and speeds up the build time by up to 50 percent in some cases.

Our customers' end products are capital-intensive, so keeping them operational is of paramount importance.

System availability and plannable maintenance convenience are therefore both key success factors. The ability to remotely read system health log files and predict desirable maintenance greatly reduces the Mean Time To Repair. To give a concrete example, the use of remote performance diagnostics can reduce the unplanned downtime of a system from ten hours in the old situation to just five minutes. That represents a huge cost saving.

Supervisory Board, Board of Directors and management team

Situation as at 31 December 2020

SUPERVISORY BOARD*

Henk Scheepers (1949) (m)	Chairman
Hans Büthker (1964) (m)	Deputy Chair
Peter van Bommel (1957) (m)	
Karin de Jong (1979) (f)	

* In view of the size of the Supervisory Board, no special committees were set up.

Henk Scheepers (m)	Appointed as Chairman in 2015
	First appointment in 2012, Deputy Chair
	Current appointment until 2022
	Nationality: Dutch
	Positions: Former Senior Vice President, ASML/Member of the Executive Committee/Director, ASML Netherlands BV
	Chairman of the Supervisory Board, Solliance
	Member of the Advisory Board, Trymax Holding BV

Hans Büthker (m)	Appointed as Deputy Chairman in 2020
	First appointment in 2020
	Current appointment until 2024
	Nationality: Dutch
	Positions: Board member, ADS Europe (Aeronautics, Space, Defence and Security)
	Board member, FME (Dutch employers' organisation in the technology industry)
	Board member for High Tech Materials TKI-HTSM (+ audit committee)
	Board member of VNO-NCW

Peter van Bommel (m)	First appointment in 2015
	Current appointment until 2023
	Nationality: Dutch
	Positions: CFO and member of the Board of Directors, ASM International N.V. (ASMI)
	Member of the Supervisory Board, KPN N.V., reappointed in 2016, current appointment until April 2020
	Non-executive director, ASMPT (Hong Kong) since 2011
	Director, Stichting Bernhoven since 2017
	Member of the Supervisory Board, SES S.A., since April 2020.

Karin de Jong (f)	First appointment in 2020
	Current appointment until 2024
	Nationality: Dutch
	Position: CFO and member of the Board of Directors of Fagron NV

BOARD OF DIRECTORS

Eric Stodel (1965) (m)	CEO effective from 1/1/2020
	Other positions: Member of the Supervisory Board of TKI-HTSM Topconsortium voor Kennis en Innovatie (TKI) - High Tech Systemen & Materialen (HTSM)
Paul de Koning (1963) (m)	CFO
	Other positions: Member of the Supervisory Board, Stichting Elkerliek Ziekenhuis
Adrie van Bragt (1965) (m)	COO to 31/12/2020
	Other positions: None
Steven Soederhuizen (1970) (m)	Interim COO effective from 01/01/2021
	Other positions: None

NEWAYS SENIOR MANAGEMENT TEAM

Michael Berger (1969) (m)	Managing Director, Neways Neunkirchen
Gerard Jacobs (1967) (m)	Managing Director, Neways Cable & Wire Solutions
Hans Ketelaars (1957) (m)	Managing Director, Neways Technologies
Jeroen Knol (1968) (m)	Managing Director, Neways Micro Electronics
Bob Konings (1971) (m)	Managing Director, Neways Industrial Systems
Robert Loijen (1976) (m)	Managing Director, Neways Advanced Applications
Michel Postma (1972) (m)	Managing Director, Neways Leeuwarden
Erik Ziegler (1964) (m)	Managing Director, Neways Electronics Riesa
Wendy van der Bij-Hereijgers (1977) (f)	Corporate Head of Business Improvement & Internal Control
Joop Kempe (1963) (m)	Corporate Head of ICT
Kees Klaasen (1955) (m)	Corporate Head of Sales
Joan Leeuwenburg (1969) (f)	Corporate Head of Human Resources
Ruud Meeren (1983) (m)	Corporate Head of Legal Affairs
Koen Rijnsaardt (1969) (m)	Corporate Head of QESH & Program Manager
Geert Scheepers (1962) (m)	Corporate Head of Operations
Edgar Snelders (1972) (m)	Corporate Head of Engineering
Peter Wisse (1959) (m)	Corporate Head of Control
Menno Wolf (1970) (m)	Corporate Head of Procurement

Customer intimacy for optimal collaboration

"When I started as Head of Sales at NEN in 2017, we defined our main goal as: strengthening customer intimacy. To achieve this in practice, we started several projects and developed a detailed strategy to improve collaboration with our customers: how can we add value for our customers and optimise our collaboration?

Neways differentiates itself from competitors through its QLTC offering. Customers know that we offer quality and they choose our services because we are synonymous with high reliability. As an operating company that specialises in the Automotive and Industry sectors, not allowing any products to leave the company before they have been tested is a key element of our philosophy. We apply the strict requirements and standards of the Automotive industry in all our processes. Industrial customers also benefit from the long-standing expertise we have built up in this sector. As a System Innovator, we go further as a design partner by including use cases that add greater value. This approach helps us position Neways as the go-to partner for both high-tech system design and production and will also strengthen our market position in the future.

The things I value most about working at NEN are that we are proud of our expertise and highly goal-oriented. I have colleagues who have worked here for 25 years and the focus has always been on delivering quality. When a deadline approaches, colleagues are always willing to go that extra mile to help you reach your goal. And when the time constraints get really tight, everybody rolls up their sleeves, including the directors who come down to the factory floor and work alongside the rest of the team. We are not a hierarchical organisation and I think this contributes hugely to talent development because it's easier to develop professionally in an environment where everyone is approachable."

BUILDING SMARTER SYSTEMS FOR A CHANGING WORLD

SMARTER SOLUTIONS

CONTRIBUTING IDEAS

EXPERTISE

COLLABORATION

FARSCHID LOHRASBI
HEAD OF SALES
NEWAYS NEUNKIRCHEN

Corporate Governance

Neways Electronics International N.V. (Neways) is a two-tier company under Dutch law and is not associated with protective or control arrangements in the form of a trust office or depositary receipts for shares.

Our governance structure is based on Book 2 of the Dutch Civil Code, the company's articles of association, and the Dutch Corporate Governance Code. The Board of Directors and the Supervisory Board are responsible for the governance structure, which is periodically evaluated. All relevant regulations and reports are available on our corporate website.

Neways is committed to good corporate governance and endorses the importance of striking a balance between the interests of the different stakeholders and the principles of the Dutch Corporate Governance Code (the Code).

Corporate governance statement

The corporate governance statement is a statement within the meaning of Section 2a of the Dutch Decree adopting Further Rules on the Contents of Annual Reports (dated 20 March 2009).
The information that must be included in this statement pursuant to Sections 3, 3a and 3b of said decree can be found in the following sections of this report:

- compliance with the Code's principles and best practice provisions – page 41;
- the principal features of the risk management and control systems for the group's financial reporting process, described under 'Risks and risk management' – page 47;
- the functioning of the general meeting of shareholders, its principal powers, and the rights of the shareholders and how these can be exercised – page 45;
- the composition and tasks of the Board of Directors – page 43 and 55;
- the composition and tasks of the Supervisory Board – page 44 and page 56;
- the rules for appointing and replacing members of the Board of Directors and Supervisory Board – pages 43 and 44;
- the rules for amending the company's articles of association – page 45;
- the powers of the of Board of Directors to issue and repurchase shares – page 45;
- the transactions with associated parties – page 91.

Compliance with the Code

Wherever possible and relevant, Neways complies with the best practices of the Dutch Corporate Governance Code. In 2019, we updated our procedures and regulations to reflect the revised Dutch Corporate Governance Code, which came into effect in 2016.

The following should be noted in relation to the best practice provisions of the Code mentioned below:

Best practice provisions 2.1.5 and 2.1.6

When selecting nominees for membership of the Supervisory Board and the Board of Directors, diversity is sought in terms of background and work experience, technical expertise and competencies, nationality, ethnicity, gender and age. Hans Büthker and Karin de Jong were appointed as members of the Supervisory Board in the General Meeting of Shareholders. Peter van Bommel has transferred all his tasks conscientiously and professionally, and will step down from the Supervisory Board in 2021 after six years of service. From that time on, the Supervisory Board will again consist of three members and comply with the proposed statutory quota for women. The policy on diversity is set out in the Regulations for the Supervisory Board. There was no diversity in terms of nationality and gender in the Board of Directors in 2020.

Best practice provision 2.7.4

In the 2020 financial year, there were no transactions that involved conflicts of interests in relation to members of the Board of Directors or the Supervisory Board.

Deviation from the Code

In accordance with the 'apply or explain' principle, we have described deviations from the best practice provisions below.

Best practice provision 2.2.1

Members of the Board of Directors who joined the Board before 2019 are appointed for an indefinite period of time. These are Messrs Adrie van Bragt (COO) and Paul de Koning (CFO). Mr Van Bragt stepped down from his position on 31 December 2020.

In accordance with the Code, Eric Stodel (CEO) was appointed as a member of the Board of Directors on 1 January 2020, for a period of four years. On 1 January 2021, Mr Steven Soederhuizen was appointed interim COO as the intended successor to Mr Van Bragt. The Supervisory Board intends to confirm Mr Soederhuizen's appointment for a period of four years after the General Meeting of Shareholders on 19 April 2021.

Best practice provision 2.3.2

The roles of the Selection and Appointment Committee, the Remuneration Committee and the Audit Committee are fulfilled by the complete Supervisory Board. No separate committees have been formed. To ensure continuity and a good transfer of tasks, the Supervisory Board is currently made up of four members. After the next General Meeting of Shareholders, the Supervisory Board will consist of three members again.

Best practice provision 4.2.3

In view of previous positive experiences, a physical meeting to discuss the annual and half-year results with the media and analysts is considered preferable to a webcast. Due to coronavirus, extra hygiene and safety measures were observed at this meeting, which was held in August. The presentation of the annual and half-year results was again well attended and positively received in 2020.

This year's General Meeting of Shareholders was held completely virtually for the first time ever - see page 45.

Coronavirus

Due to the coronavirus outbreak, the Supervisory Board had much more contact than usual with the Board of Directors in 2020. Monthly meetings were set up to discuss the health and safety measures for the employees, the impact on demand and operational activities, particularly in relation to Automotive, and the precautions that were required to assure a healthy financial position for Neways. All the members of the Supervisory Board attended these meetings.

Given the extreme uncertainty of the situation, the focus lay on cash management and maximising the cash position. In this context, it was also decided to cancel the 2019 dividend proposal of € 0.28 per share as a precautionary measure. The plans for adapting the organisation in the Netherlands and Germany were also discussed, along with other topics.

In the long term, we do not expect the coronavirus crisis to have a negative impact on Neways' business model. We are well positioned in growth sectors. Furthermore, the crisis has shown that we have a good spread of activities across different sectors.

Employee participation

In the Netherlands, employee participation is organised for each operating company in works councils that are represented at central level in the Central Works Council (CWC). The CWC is made up of representatives of the different works councils. During the past year, the CWC met twelve times. In 2020, the CWC successfully completed the task of setting up works councils at all the operating companies.

Report of the Central Works Council

The Central Works Council was assigned the role of sparring partner in the coronavirus task force and we acted as a sounding board to assess the practical and legal feasibility of the coronavirus rules. We gather information from our colleagues and indicate in the task force what additional measures are considered necessary. We also provide feedback on how measures work out in the workplace. In addition, the Central Works Council had an important say in the communications sent out to employees each week and played a coordinating role in the talks between the various parties during the restructuring exercise.

This called for close collaboration with the Board of Directors in this period, a requirement to which we responded extremely well. The noteworthy achievements this year include the establishment of works councils at all the operating companies and our assessments of various requests for advice, including the appointment of a new COO. While we expect coronavirus to remain a key area of focus in the early months of 2021, we are also looking ahead: how can we, as the Central Works Council, contribute to One Neways? The works councils play an important role in strengthening mutual understanding and making people aware of the usefulness and necessity of intensive collaboration.

Code of Conduct

Following the additions to the Code of Conduct in 2019, it remained unchanged in 2020. The Code of Conduct specifies the usual guidelines relating to the health and safety of the employees active within our company. In addition, the Code of Conduct sets out guidelines on the conduct expected of our employees and of the company as a whole, and relating to our impact of on the local community and the environment. A number of additions were made to the Code of Conduct in 2019. These were adjustments in the context of the new personal data protection legislation (GDPR), which includes guidelines on how to deal with data and privacy.

When representing Neways, employees are expected to have a thorough knowledge of the Code of Conduct and carry out their work in accordance with the standards, values and guidelines set out in the code of conduct. The Code of Conduct is available for reference on our corporate website.

Whistle-blower policy

The whistle-blower policy remained unchanged in 2020. The policy was last amended in 2019, in consultation with the Central Works Council, when a facility was added to allow employees to report suspected improprieties and irregularities in a safe and structured way.

The basic principle of this policy is that internal investigations are carried out first in the event of a suspected irregularity to determine whether that suspicion can be allayed. Only if this is not possible, or does not result in an improvement, will the matter be reported to an external authority.
The whistle-blower policy is available for reference on the intranet.

Language and annual report

As Neways is an international tech company and the standards for reporting are laid down internationally in the IFRS guidelines, the company intends to publish its annual report in English only from 2021. This proposal will be tabled for adoption during the next General Meeting of Shareholders.

Board of Directors

Tasks

Neway's Board of Directors consists of three members and is responsible for the group's strategy, central management and performance. The Board of Directors receives detailed weekly and monthly progress reports and is responsible for compliance with all relevant legislation and regulations and effective operation of the internal risk management and control systems.

These tasks are carried out under the watchful eye of the Supervisory Board. The Board of Directors provides all information in a timely manner and makes the necessary resources available for proper performance of the Supervisory Board's monitoring tasks.

Appointment

The Supervisory Board appoints the members of the Board of Directors. From 2019 onward, members of the Board of Directors are appointed for a period of four years, as determined under best practice provision 2.2.1.

The General Meeting of Shareholders must be notified of a proposed appointment. Members of the Board of Directors may not serve on more than two supervisory boards nor serve as the Chairman of a supervisory board. More information on the composition of the Board of Directors in 2020 is provided in the section entitled Supervisory Board, Board of Directors and management team in this annual report – page 38.

Suspension and dismissal

The members of the Board of Directors cannot be dismissed directly by the General Meeting of Shareholders. The Supervisory Board periodically evaluates the performance of the members of the Board of Directors. The Supervisory Board has the right to suspend or dismiss the members of the Board of Directors.

Remuneration

Neways' remuneration policy for the Board of Directors focuses on value creation in the long term. In line with the new legislation based on the EU Shareholder Rights Directive II (SRD II), the remuneration policy for the Board of Directors has been revised and amended in a number of areas. This amended remuneration policy was submitted for adoption during the

General Meeting of Shareholders of 16 April 2020. The remuneration policy has not been changed since and is available for reference on the corporate website (www.newayselectronics.com).

The 2020 remuneration report is also available for reference on the corporate website (www.newayselectronics.com) and will be submitted as an advisory document to the General Meeting of Shareholders on 19 April 2021. More information on the remuneration of the Board of Directors in 2020 is also provided in the financial statements on page 91 of this report.

Supervisory Board

Independence

The Supervisory Board operates independently of the Board of Directors. The members of the Supervisory Board act independently within the meaning of the Code, are not part of management and are also not employed by Neways.

Tasks

The Supervisory Board monitors the policies and performance of the Board of Directors. In addition, the Supervisory Board has an advisory function that focuses on the best interests of the company, taking into account the relevant stakeholder interests. The basic principles of responsible entrepreneurship are taken as the guideline for this.

The Supervisory Board and the individual members perform their supervisory and advisory tasks based on the extensive information required for this purpose that is provided by the Board of Directors. In addition, the Supervisory Board obtains information from other company officers of Neways, external parties that advise Neways and, if necessary, the Supervisory Board's own advisers. Neways provides the resources required for this purpose.

Appointment

Members of the Supervisory Board are appointed by the General Meeting of Shareholders for a period of four years. They can subsequently be reappointed for a second term of four years and a third term of two years.

When a new appointment is made, the Supervisory Board has a right of nomination based on the associated profile description. This profile description is available on our corporate website. The Central Works Council has an 'enhanced right of recommendation' for one third of the number of supervisory directors. This recommendation can be adopted by the Supervisory Board.

The Supervisory Board appoints a Chairman and a Deputy Chairman. The Chairman is not a former member of the Board of Directors of Neways. In view of the size of the company, there is no formal introduction programme for Supervisory Board members.

More information on the composition and relevant other positions of the Supervisory Board in 2020 is provided in the section entitled Supervisory Board, Board of Directors and management team in this annual report – page 38.

Suspension and dismissal

The General Meeting of Shareholders has the right to dismiss the complete Supervisory Board. Individual members of the Supervisory Board cannot be dismissed directly by the General Meeting of Shareholders.

Remuneration

The General Meeting of Shareholders can, in line with a proposal submitted by the Supervisory Board, allocate remuneration to the members of the Supervisory Board. This remuneration does not depend on the company's results.

In line with the recent new legislation based on SDR II, a remuneration policy has now also been drawn up for the first time for the Supervisory Board. This policy is available for reference on the corporate website (www.newayselectronics.com) and was approved and adopted by the General Meeting of Shareholders on 16 April 2020. More information on the remuneration of the supervisory directors in 2020 is also provided in the financial statements on page 94 of this report.

General Meeting of Shareholders

The General Meeting of Shareholders is convened at least once a year and chaired by the Chairman of the Supervisory Board. Due to the coronavirus pandemic, it was decided to hold a virtual General Meeting of Shareholders this year. Participants were given the opportunity of asking questions online. As usual, advance voting was permitted and shareholders were also able to vote by proxy. The minutes of the General Meeting of Shareholders are available for reference on the corporate website (www.newayselectronics.com).

Decision-making process

All resolutions are adopted based on the principle of 'one share, one vote'. Shareholders, acting alone or jointly, with a joint interest of at least 1% of the issued share capital have the right to request the Board of Directors or Supervisory Board to put certain items on the agenda. Requests are granted if they are submitted in writing at least sixty days prior to the date of the General Meeting of Shareholders.

Important management decisions that involve a change in the identity or character of the company or its business must be approved and adopted by the General Meeting of Shareholders. This applies, in any case, to all management decisions relating to the transfer of the entire company or virtually the entire company, entering into or terminating long-term partnerships, and the acquisition or disposal of participations worth at least one third of the consolidated statement of financial position total.

The policy on profit sharing and dividend is submitted separately to the shareholders. This also applies to substantial changes in the corporate governance policy, including any changes in the remuneration policy for the Board of Directors and the Supervisory Board.

Extraordinary General Meeting of Shareholders

An Extraordinary General Meeting of Shareholders is convened if prescribed, or if the Supervisory Board or Board of Directors deems it desirable. Shareholders representing at least 10% of the issued capital may also submit a written request for an Extraordinary General Meeting of Shareholders to the Supervisory Board and the Board of Directors, stating the matters to be discussed.

Powers

The General Meeting of Shareholders has the following general powers:

- adopting the financial statements;
- discharging the Board of Directors from all liability in respect of the policies it has applied;
- discharging the Supervisory Board from all liability in respect of its supervision of those policies;
- adopting profit sharing/dividend payment proposals;
- approving management decisions relating to a significant change in the company's identity or character;
- adopting significant changes in the company's corporate governance policy;
- appointing members of the Supervisory Board;
- dismissing the entire Supervisory Board;
- adopting the remuneration policy for the Board of Directors and the Supervisory Board;
- approving the remuneration of the individual members of the Supervisory Board;
- taking decisions on the issue of shares, granting rights to subscribe for shares (option rights), or on giving the Board of Directors decision-making authority in this respect for a certain period of time, possibly subject to exclusion of the pre-emptive right of shareholders;
- appointing the external auditor;
- passing a resolution to amend the articles of association based on a proposal submitted by the Board of Directors;
- authorising the Board of Directors to purchase shares in the company.

The agenda and explanatory notes for the annual General Meeting of Shareholders to be held on 19 April 2021 have been posted on Neways' corporate website.

Market and commercial risks

Cyclical fluctuations	• Spread across market sectors • Reduce dependency on cyclical sectors • Expand activities in stable sectors
Shift in customer demand	• Good positioning and adequate scale to respond quickly to changing customer demand • Improvement programme increases proximity to customers to allow better anticipation of new customer requirements • Close scrutiny of customer conditions to ensure a desirable outcome for the customer and in terms of internal risk policy
Shortage of technically trained talent	• Employer branding policy that highlights our positive work culture and personal development opportunities • Competitive salaries and fringe benefits
Increasing regulatory burden	• Compliant with all relevant product and environmental requirements • Intensify collaboration with suppliers to improve product traceability and the sustainability of purchased materials
Price competition	• Focus on life cycle management and optimal cost of technology • Group-wide strategy aimed at climbing to a higher level in the value chain • 'System Innovator' strategy implementation

Operational risks

Health risks	• Structure and measures implemented to prevent spread and mitigate the impact of coronavirus
Supply chain complexity	• Standardised materials procurement • Reduced number of suppliers • Close monitoring of timely deliveries • Spread of risks and costs throughout the logistics chain • Improve logistics agreements and models • Solid escalation structure and procedures for resolving bottlenecks in the logistics chain
ICT systems	• Internal and external backup systems • Phased implementation of new systems and changes based on previous lessons learned
Production continuity	• Invest in and monitor safety and security at production facilities

Financial risks

Liquidity and solvency	• Conservative and solid financing policy • Tight control of cash flow • Favourable supplier finance agreements to achieve faster payment • Extended group facility in place until early 2024
Accounts receivable	• Careful assessment and minimisation of credit risk when setting up new customer accounts • Credit insurance • Close monitoring of debtors
Inventories	• Monitor and manage inventories through better logistics contracts • Introduce system for unique item coding

Risks and risk management

Neways is an international, publicly listed company that focuses on long-term value creation. Doing business involves market risks and company-specific risks, and the coronavirus pandemic has revealed how global interconnectedness also exposes us to health risks. These risks were controlled by our organisation in 2020 with great focus and adaptability.

The coronavirus pandemic has led to new ways of working all over the world. It calls for a great deal of flexibility on the part of organisations and has exposed vulnerabilities in international production and supply chains.

From a risk management perspective, much extra attention was devoted last year to ensuring a safe working environment for employees, safeguarding the continuity of business operations and responding flexibly as an organisation to hiccups in the logistics chain and sudden falls in demand.

Coronavirus task force

We immediately set up a coronavirus task force for the entire group when the pandemic broke out. At the end of March, this task force introduced the 'coronavirus incident action plan', which provides a daily status update on the number of absent employees.

We carried out contact tracing in the case of each employee who displayed coronavirus-related symptoms to identify who had been in close contact with him/her. Specific (quarantine) measures were implemented where necessary. In addition to source-and-contact tracing, we introduced numerous measures in the workplace to ensure that development and production staff could do their work safely and at a sufficient distance from each other, in line with applicable local regulations and guidelines. Office workers were strongly advised to work from home as much as possible.

First and second stand-ins in the event of sickness were designated for all the members of Neways' management team including the Board of Directors. Similar contingency plans were drawn up for all operating companies in order to safeguard the health of employees and to keep production at the required level in the event of high sickness absence.

Every two weeks, the coronavirus task force reported on the situation in the various operating companies with the aim of minimising the health risks for our employees. The task force is also responsible for overseeing monitoring and compliance with government regulations and recommendations.

Risk control mechanism

We use internal risk management and control systems to monitor risks that are relevant to the organisation at strategic, tactical and operational level. In 2018, we redesigned our management and control systems based on COSO-ERM1 and rolled this system out to the operating companies in 2019. The Board of Directors is responsible for all aspects of risk management as this is integral to group management and control. Risk management effectiveness is regularly discussed with the Supervisory Board.

Neways' internal risk management and control systems have been structurally improved in recent years. During the past year, further action was taken to improve and tighten the General IT Controls, and testing took place at an accelerated pace due to the coronavirus pandemic. The security of the cloud environment had already been extensively tested and the password policy was rolled out at the same time as the Neways Office Automation system.

This roll-out took place in phases; at the holding company first, followed by the different operating companies. Neways was already well prepared for a situation in which a large proportion of the workforce might have to work from home, so no extra measures were needed to guarantee the security of the systems in this respect. Where necessary, additional hardware has been made available to people working from home.

Risk management systems

Functional separation of the control tasks is also assured within the internal risk management system. Each operating company monitors and manages risks, and the holding company acts to ensure central coordination, management and control.

The Corporate Head of Business Improvement and Internal Control is responsible for the internal audit function. This company officer reports directly to the CFO and has access to the Supervisory Board. The internal audit function monitors compliance with legislation and regulations, assesses the quality of the risk management systems and initiates improvements in business processes.

The internal risk management and control systems can never completely eliminate all risks. Furthermore, they do not offer absolute assurance that material misstatements, financial loss, fraud or violations of legislation and regulations can be prevented.

Each operating company reports revenue, the order intake figure, logistical key parameters such as CLIP and the days inventory outstanding on a daily basis. Each month, a consolidated statement of financial position and statement of profit or loss are prepared with a summary of the main financial figures, including a cash flow statement and operational performance indicators. This package also includes forecasts relating to profit/loss, cash flow and the balance sheet. These consolidated monthly reports are also made available to the Supervisory Board. Members of the Board of Directors visit all the operating companies every two months and discuss topics such as the main operational aspects and areas requiring improvement during these meetings.

During 2021, we will start implementing a single ERP system for the group. From a risk management point of view, working towards a situation where there is one standard system offers greater control over the business processes. Those processes have also been designed to ensure harmonisation for the operating companies wherever possible. The ERP system was configured in the build phase of the project. The resulting Neways-wide Kernel was created based on input from all the operating companies. Business processes have been standardised and the system replaces the three ERP systems that are currently operating in parallel.

Market and commercial risks

Volatility in customer demand

Customers and end-customers are sensitive to macroeconomic trends. Automotive and a significant portion of industrial customers were significantly affected by the pandemic and the lockdowns. Automotive was particularly badly affected and production even came to a halt for several months. In other sectors, such as Medical and Semiconductor, the order intake and production volumes remained at satisfactory levels.

In the case of new customers, we have prepared checklists identifying the critical points that need to be addressed before entering into a contractual agreement. We see that customers are willing to entertain the idea of agreeing better conditions and offer some leeway for doing so. This new approach also leads to increasingly effective risk sharing between Neways and its customers.

Neways is active in different market sectors and benefits from a balanced spread of its activities across its choice of markets. This reduces sensitivity to sharp order intake fluctuations and even a total collapse in demand, such as that experienced this year in Automotive.
Orders and revenue show a more stable trend thanks to this spread.

Shift in customer demand

We do not expect the revenues from Automotive to return immediately to pre-pandemic levels. With that expectation in mind, we decided to scale down our production capacity in Germany to better match the current market environment.

In 2020, we launched various projects for increasing customer intimacy and making better choices about the type of customers we partner with. Neways is focusing more intensively on customers where there are opportunities for us to offer support on several fronts in our role as a System Innovator and product life cycle partner, and generate greater added value as a result. In the case of existing customers, we discuss and agree changes to the conditions. We have looked closely at our portfolio and discontinued low-margin activities.

Our positioning as a System Innovator and product life cycle partner means that we are becoming more actively involved in our customers' production processes and the preceding design phase. We are investing continuously in customer intimacy in order to identify technological developments that are relevant to our customers. We scale up and provide the organisational capacity needed to satisfy this customer demand.

Increasing regulatory burden

In response to the coronavirus pandemic, several new rules have come into effect to ensure the safety of employees and prevent the spread of the virus. These guidelines are laid down in coronavirus protocols that have been drawn up for the various operating companies, in line with local laws and regulations.

Legislation and regulations on quality and safety, sustainability and transparency are becoming more demanding. Environmental requirements are becoming stricter. Ensuring adequate knowledge in this area throughout the organisation and a good compliance function are essential in the light of these trends. Not complying with legislation and regulations may lead to reputational damage, fines and lost customers.

In 2020, Neways selected two external parties to assist it in implementing Environment, Safety & Health (ESH) legislation. Because of the pandemic, it was not possible to physically visit the operating companies to set up the Legal Register. We did however start up a digital pilot at two operating companies in the Netherlands at the end of 2020. A further roll-out to the other Dutch and all the German operating companies will take place in collaboration with the selected partners during the first quarter of 2021.

Neways complies with all relevant product and environmental requirements (REACH, RoHS, ISO 14001 and legislation and regulations relating to export and conflict minerals) and constantly focuses on identifying areas requiring improvement and taking appropriate action.

Neways complies with the EU directives and regulations on conflict minerals.
We expect our suppliers to ensure compliance with regulations concerning conflict minerals. We offer appropriate support and encourage our customers and suppliers to align themselves with industry initiatives in this area. Neways performs an annual due diligence review to assess its supply chain in this respect, based on the Conflict Minerals Reporting Template drawn up by the RMI (Responsible Minerals Initiative). We are asking our suppliers to end any business relationships they may have with 'Non-compliant' smelters. This action will lead to a progressive reduction in the smelters of this type in our supply chain.

Price competition

We did not see signs of extra price pressure in the market as a result of the coronavirus pandemic in 2020. By consciously choosing customers where Neways can add value as a System Innovator and long-term partner, we effectively shift the focus away from price and compete mainly on reliability and quality. Neways is becoming less sensitive to short-term price pressure thanks to a specific focus on setting up sustainable partnerships with customers and acting to achieve optimal total cost of ownership. Our ability to contribute ideas, co-develop and innovate with our customer at an early stage in new product introductions is essential to achieving this.

Operational risks

Procurement task force

In March 2020, a special procurement task force was set up alongside the coronavirus task force to continuously review the impact of the coronavirus crisis on the availability of components and identify vulnerabilities in the logistics chain in close consultation with suppliers.

Neways has a solid escalation structure and procedure for resolving bottlenecks in the logistics chain As standard, we initiate a worldwide search for inventories in the event of shortages, and also look outside the normal supply chain. When it became clear to us in February 2020 that the coronavirus pandemic would have an impact on our supply chains, we immediately took action to identify bottlenecks and address them using the normal escalation procedures. We involved our customers in the discussions with our suppliers in many cases and sometimes decided to use alternative components or alternative supply chains as fall-back solutions. Thanks to these efforts, we succeeded in minimising the impact on our production continuity.

In the longer term, we will continue to prioritise agreeing adequate inventory holdings with our suppliers to ensure a fairer spread of risk between Neways and the suppliers. We have not had any major problems with late deliveries despite the coronavirus pandemic and the inventory level has not reduced.

Availability of components

As a result of the growing but strongly fluctuating demand for electronics, there are regular market shortages of the components that Neways uses in its products. Major technological innovations, such as the introduction of 5G networks all over the world, as well as global political developments like international trade conflicts, have a strong impact on both component demand and the expansion of global production capacity. In periods of scarcity, the delivery times for certain components become longer and other components can no longer be supplied. The lack of these components can lead to deadlines not being met and, consequently, Neways not being able to satisfy customer demand.

To mitigate the risk associated with shortages of certain components, Neways is taking action to strategically strengthen the supply chain. This involves long-term partnerships with first-tier suppliers that are characterised by mutual dependency and intensive and regular consultation. As a result, we gain a better understanding of our customers' future component needs *and* the available capacity of our suppliers. Both are essential requirements if we are to forecast production capacity in good time and identify issues at an early stage.

In addition, we use a specific approach for each item category. As a result, Neways is able to use its technological and logistical knowledge of electronic components to offer alternative solutions and identify a large pool of potential first-tier suppliers in the chain in the case of specific manufactured components.

Shortage of engineering skills

The shortage of engineers and technical personnel on the labour market can have a negative impact on strategy implementation and production and development capacity. Highly qualified technical and specialist staff are particularly difficult to find. Several successful online campaigns to recruit more engineers and developers were launched this year. We also devoted extra attention to employer branding and targeted profiling on social media.

Catastrophic failure of business systems

The Business Continuity Plan, which we drew up in 2019 as a template for how to act in the event of a catastrophic failure of business systems, has now been tested and rolled out to other operating companies.

A failing production or ICT system, or the implementation of a new system that does not meet the requirements and wishes of the users may lead to disruption of the process in question, general business operations and internal and external reporting capabilities, thereby leading to a situation where Neways may not be able to meet its obligations towards its stakeholders.

Neways further tightened up the security measures for protecting internal and external systems in 2020. These changes incorporated some of the best practices in the field of IT security identified by a working group set up by Brainport Eindhoven, in which we participate along with other technology companies in the region. Neways is a member of the 'Eindhoven Cyber Security Group' (ECSG) and the 'Cyber Resilience Center Brainport' (CRB).

Safety at work

Major failures and other unforeseen circumstances in the production facilities not only potentially endanger production continuity, they may also put the safety of individual employees at risk.

Neways invests continuously in the safety of production facilities by setting up preventive control measures for work procedures and introducing protocols to prevent serious incidents and accidents in the workplace. Inspections are regularly carried out at our facilities to look at safety aspects and working conditions.

Financial risks

Liquidity and solvency

The financial measures implemented by Neways at the outbreak of the coronavirus crisis were primarily intended to ensure the continuity of the business activities by focusing strongly on cash management and maximising the cash position. In this context, we also decided to cancel the 2019 dividend proposal of € 0.28 per share as a precautionary measure. Operational expenditure was reduced and use was made of government funds and grants for temporary short-time working as soon as they became available.

In the Netherlands, the drop in revenue for the year turned out to be limited and our recourse to government funds, tax deferrals and grants for temporary short-time working proved to be precautionary. The money received under the NOW subsidy scheme will be paid back in 2021. In Germany, we took advantage of the short-time working scheme (Kurzarbeitregelung), which allowed us to reduce our wage costs.

We performed the annual going-concern analysis and a goodwill impairment test, which did not indicate any impairment effects in the projections for the next four years. The banks have accepted our proposal to exclude the provision created for the restructuring exercise, which has been charged to the result, from the EBITDA calculation required under the covenant.

Payment default

If customers of Neways failed to meet their payment obligations, financial damage may arise. Even though we applied a stricter accounts receivable policy due to the coronavirus pandemic, we only received a limited number of requests for extended payment terms.

Uncommitted inventory

ATP (available to promise) inventory, i.e. the on-hand inventory of raw materials and consumables not covered by orders or contracts, constitutes a risk for Neways and can increase working capital requirements and put pressure on cash flow and margins.

Neways focuses on constantly monitoring and controlling the inventories together with its suppliers in the supply chain. The supply chain management initiatives are expected to contribute to a permanent reduction in inventory levels.

ATP inventory is monitored monthly and reported by the management teams at the operating companies to allow centralised action that targets reduction of this uncommitted inventory.

In control statement

Based on the above, the Board of Directors declares that, to the best of its knowledge, the risk management and control systems provide a reasonable degree of assurance that the management reports do not contain any material misstatements and that the risk management and control systems operated effectively in 2020. The Board of Directors also declares that, to the best of its knowledge and in the light of the current state of affairs, it is justified in drawing up the financial statements based on the assumption that Neways can continue trading as a going concern. There are no indications that the continuity of Neways will be adversely affected in the twelve months following the publication of this annual report.

Board of Directors' statement of responsibilities for the financial report

pursuant to Section 5:25c of the Financial Supervision Act (*Wet Financieel Toezicht/Wft*).

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

The 2020 financial statements provide a true and fair view of the assets, liabilities, the financial position as at 31 December 2020 and the 2020 result achieved by Neways Electronics International N.V. and the group companies included in the consolidated accounts.

The 2020 annual report provides a true and fair view of the position as at 31 December 2020 and of the developments and performance during the financial year 2020 of Neways Electronics International N.V. and the affiliated group companies included in the consolidated financial statements in 2020 and describes the material risks facing the Company.

Son, 25 February 2021

Eric Stodel – CEO
Paul de Koning – CFO

Shares in Neways

The shares in Neways are listed on the Euronext Amsterdam stock exchange and have been included in the Tech40 Index since 2016. The Tech40 is made up of a total of 320 tech companies listed on all Euronext markets. The Tech40 Index is compiled annually.

Neways' share structure

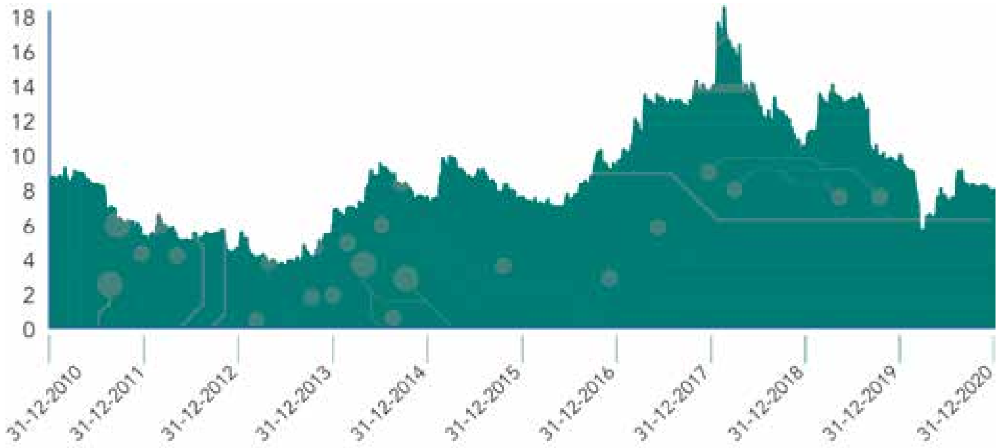
Neways' share capital consists solely of ordinary shares with a nominal value of € 0.50 per share. On balance, the issued share capital at the end of 2020 consisted of 12,174,037 shares. Employee share options were exercised during 2020, increasing the share capital by 24,503 shares.

	2020	2019
Year-end	12,174,037	12,149,534
Weighted average	12,165,020	12,097,017

Price movement and key figures

	2020	2019
Highest price	€ 10.20 (2 January)	€ 14.00 (11 April)
Lowest price	€ 4.75 (16 March)	€ 9.30 (31 October)
Closing price	€ 8.00	€ 9.96
Basic earnings per share	€–0.32	€ 0.70
Dividend	0	€ 0.28*
Price/earnings ratio at financial year-end	–25.0	14.2
Market capitalisation at financial year-end	€ 97,392,296	€ 121,009,359

Price movement (in €)



Shareholders

Pursuant to the Dutch Disclosure of Major Holdings in Listed Companies Act (*Wet Melding Zeggenschap/WMZ*), interests of 3% or more in Neways' issued capital must be notified to the Dutch Authority for the Financial Markets (AFM). At year-end 2020, the following shareholders were known to have an interest of at least 3%.

Shareholder	%	Date of most recent disclosure
VDL Beleggingen B.V.	27.4%	17/12/2010
Stg. Administratiekantoor Tymen	18.6%	08/06/2009
Menor Investments B.V.	7.5%	09/01/2009
OtterBrabant Beheer B.V.	5.5%	01/11/2006
Add Value Fund N.V.	5.2%	06/07/2018
Value8 N.V.	5%	14/01/2020

The majority of the shares in issue are held by Dutch institutional investors, family offices and private investors.

* Due to the coronavirus outbreak, the dividend payment proposal for 2019 was withdrawn prior to the General Meeting of Shareholders.

Dividend policy

Neways aims to pay a dividend of 40% of the net profit. Dividend may only be distributed if certain conditions are met. One of these conditions is that the solvency (guaranteed capital adjusted for deferred taxes and intangible fixed assets/total equity) must be at least 35%.

Based on the earnings per share of €–0.32 realised in 2020, it is proposed that the General Meeting of Shareholders refrain from distributing a cash dividend for the 2020 financial year.

Share options and performance shares

Neways applies a remuneration policy that aims to maximise long-term value creation for shareholders. The General Meeting of Shareholders of 16 April 2020 approved and adopted the current remuneration policy. This policy makes provision for a Performance Share Plan under which the number of long-term performance shares that will vest depends on achievement of predetermined profit margin targets over a three-year performance period.

The Supervisory Board decides each year whether or not to award performance shares to the members of the Board of Directors and a number of other key company officers. This resolution is submitted to the General Meeting of Shareholders for adoption. Full details of the remuneration policy are available for reference on the corporate website.

The option scheme has been phased out in stages; options were granted to the members of the Board of Directors and other key company officers for the last time in 2017. When deciding whether or not to grant options, consideration is given to both the targets that have been achieved and targets that have yet to be achieved for the operating company, and also the individual performance of the key company officer in question.

The term of the options in issue is at least three years and the options entitle the holder to one ordinary Neways share. Neways' share option policy does not include the purchase of shares to counteract dilution when options are exercised.

Members of the Board of Directors and other company officers exercised 2,500 options during the year under review. More information on the options and performance shares awarded to the Board of Directors is also provided in note 16 to the financial statements.

Important dates

19 April 2021	General Meeting of Shareholders
19 April 2021	Publication of the interim trading report
25 August 2021	Publication of the half-year results
29 October 2021	Publication of the interim trading report

Prevention of misuse of insider information

The existing regulations on how price-sensitive information is to be handled internally and externally, as set out in the Model Code, are periodically reviewed by the company and, if necessary, tightened up by issuing further internal guidelines. The regulations relate to the Supervisory Board and the Board of Directors, as well as to the management layer below the Board of Directors and all central employees who are privy to price-sensitive information. Neways employs a compliance officer who supervises and ensures proper compliance with the regulations.

Investor relations

Neways attaches great value to transparency, and its investor relations policy calls for regular communication with shareholders and other financial stakeholders.

In addition to publication of the annual report, the half-yearly report and the interim trading reports, the Supervisory Board and the Board of Directors initiate contact with the shareholders at various times during the year.

The most important contact opportunity is the Annual General Meeting of Shareholders. In addition, Neways organises an annual shareholders' Open Day at one of the operating companies. The Open Day is an opportunity for exchanging views with members of the management team and finding out more about a specific operating company. More information about shares in Neways is available on newayselectronics.com. You can also contact us as follows:

E: info@newayselectronics.com
T: +31 (0)40 267 92 01

Supervisory Board
From left to right:
Hans Büthker,
Henk Scheepers,
Karin de Jong,
Peter van Bommel

In fulfilment of our duties as the Supervisory Board, we supervised implementation of Neways' strategy and actions to create long-term value in 2020. We carry out these supervisory tasks in line with the relevant legislation and the company's articles of association. In this capacity, all major decisions of the Board of Directors were submitted to us for approval.

In the opinion of the Supervisory Board, the requirements relating to independence of action, as specified in best practice provisions 2.1.7 to 2.1.9 inclusive of the Corporate Governance Code, have been satisfied.

Supervision and advice

2020 was a particularly challenging year. Early on in the year, it became apparent that the outbreak of coronavirus in China would affect the international supply chain. Furthermore, in March 2020, we also realised that this crisis would disrupt daily life in Europe.

Because of the coronavirus situation, we engaged in very intensive discussion with the Board of Directors about priorities, measures and progress at the beginning of the year, and to a lesser extent in later months. In the first instance, our main concern was to guarantee the safety of employees and ensure management continuity. This led to the introduction of sufficient distancing in the workplace in order to continue production and office workers were instructed to work from home as much as possible. With the same concerns in mind, we also asked the members of the Board of Directors to work remotely.

We and the Board of Directors jointly assessed what interventions were needed in order to respond to the uncertain situation created by the coronavirus pandemic. We considered, for example, making use of government support measures and implementing short-time working in Germany. As a precautionary measure, we decided to focus strongly on cost control and cash flow management, which also led to the decision to withdraw the previously proposed dividend payment for 2019.

The contingency plans prepared by the Board of Directors and the subsequent updates were also reviewed. In April, we explored further scenarios to gauge the possible impact on Neways' financial and liquidity position. This analysis showed that the outlook for the Semiconductor and Medical sectors in particular was good, and that Neways' financial position was robust enough to withstand any adverse effects.

At this point, it was clear that the crisis would hit Automotive particularly hard and that demand from that sector would not quickly return to its original level. To mitigate that threat, we had several meetings with the Board of Directors to discuss scaling down our production staffing for Automotive while at the same time implementing structural organisational improvements. Not just to weather the crisis well, but also to emerge from it stronger and with a more efficiently structured organisation.

2020 once again confirmed the soundness of Neways' strategy and spread across various market sectors. Our chosen positioning offers adequate scope for future growth and improved profitability.

In the discussions with the Board of Directors and in separate meetings with the new CEO, we emphasised that the business model had to be applied more consistently and that further professionalisation was required in that respect. Standardising processes and making the organisation more flexible are still high on the agenda. Greater flexibility also means being able to cross-allocate production orders within the company more easily to reduce any imbalances in capacity utilisation.

Composition of the Board of Directors

Following Huub van der Vrande's departure from the Board of Directors at the end of 2019, Eric Stodel took over the role of CEO from 1 January 2020. Adrie van Bragt stepped down from the Board of Directors at the end of December 2020 and transferred his duties as COO to Steven Soederhuizen as Neways' interim COO.

Mr Soederhuizen will be appointed for a term of four years. In our opinion, the Board of Directors in this new composition has the right mix of knowledge and skills and will be capable of providing excellent leadership in the current phase and adequately implementing Neways' long-term strategy.

In view of the challenging circumstances and with our responsibilities as the Supervisory Board in mind, we felt that a careful but also rapid recruitment and selection procedure for the new COO would be appropriate. We turned to our network to draw up a long list of suitable candidates for review. Our ideal profile called for a director with international experience and a leadership style that combined a customer-oriented approach with talent development and a focus on operational efficiency. We put together a short list based on these criteria and, after interviews with a number of candidates, finally chose Mr Soederhuizen. He is very well versed in the high-tech sector and clearly showed his goal-oriented approach and passion for technology in our conversations.

Composition of the Supervisory Board

The composition of the Supervisory Board changed in 2020. René Penning de Vries stepped down from his position as a supervisory director after the General Meeting of Shareholders on 16 April 2020 and Henk Scheepers was reappointed for a third and final term of two years.

Karin de Jong and Hans Büthker were appointed by the same General Meeting of Shareholders for a term of four years. In order to ensure continuity in the performance of the supervisory tasks and to give the new supervisory directors the opportunity of familiarising themselves properly with the company, the Supervisory Board temporarily consisted of four members.
After the General Meeting of Shareholders on 21 April 2021, Peter van Bommel will step down from the Supervisory Board. From that time on, the Supervisory Board will once again comprise three members and a balanced male/female ratio will be restored within the Board.

Remuneration

The remuneration policy for the Board of Directors has been revised in line with the EU Shareholder Rights Directive II (SRD II) and these changes were adopted during the General Meeting of Shareholders of 16 April 2020. The General Meeting of Shareholders also adopted and approved a separate remuneration policy that has been drawn up for the Supervisory Board. The remuneration policy and the full remuneration report for 2020 are available for reference on the corporate website (www.newayselectronics.com).

More details regarding the remuneration of the Board of Directors and Supervisory Board are provided in the financial statements on pages 91 to 94 of this report. The report will be submitted for an advisory opinion to the forthcoming General Meeting of Shareholders.

The forthcoming General Meeting of Shareholders will be asked to approve and adopt an adjustment to the fixed remuneration of the Supervisory Board. The remuneration proposal is in line with the remuneration policy and reflects the increased responsibility and intensity of the supervisory tasks of the Board. The proposal is included in the convening notice for the General Meeting of Shareholders and also available for reference on the corporate website.

Plenary meetings and consultation

In 2020, we as the Supervisory Board held regular digital meetings with the Board of Directors in order to continuously keep our finger on the pulse with regard to the impact of the coronavirus crisis on the company. We also met several times to discuss succession and recruitment of a new COO. In addition, frequent informal consultation took place between the members of the Supervisory Board and with the members of the Board of Directors.

The Chairman of the Supervisory Board attended two plenary meetings with the Central Works Council and there were also several informal meetings between members of the CWC and the supervisory directors. The main issues considered during those meetings and discussions were the approach to be adopted in response to the coronavirus crisis, the organisation structure and the restructuring exercise, and the selection and recruitment procedure for the new COO.

Contact with the shareholders

As supervisory directors, we attach great importance to transparency and open communication with shareholders. The Board of Directors has the most contact with shareholders; however, members of the Supervisory Board also met the shareholders on an incidental basis in 2020.

Due to coronavirus, the main opportunity for contact was the virtual General Meeting of Shareholders on 16 April 2020.

Adoption of the 2020 financial statements

The 2020 financial statements have been submitted to us for review and discussed in exhaustive detail with KPMG as Neways' independent auditor. KPMG has audited the financial statements and issued an unqualified opinion. This opinion has been included in this annual report in the Other Information section (page 106).

The Supervisory Board has determined that the Report of the Board of Directors on 2020 provides an accurate picture of the company's financial position and profitability. All the members of the Supervisory Board have signed the 2020 financial statements.

The forthcoming General Meeting of Shareholders will be advised to approve and adopt the 2020 financial statements and grant discharge to the Board of Directors from liability for the policies it pursued and to the Supervisory Board for its supervisory activities during the past financial year.

Proposed dividend over 2020

In 2020, Neways suffered a net loss of € 3.9 million. In view of this performance, no dividend will be paid out for the 2020 financial year.

Excellent performance by the Board of Directors

As the Supervisory Board, we would like to thank Adrie van Bragt for his years of commitment and dedication to Neways and we wish him every success in his new position.

We also wish to thank all Neways employees. They have shown huge flexibility in adapting to the new home working situation, which in many cases had to be combined with caring for and educating their children due to the school closures. The Supervisory Board greatly appreciates all the tireless efforts and the ready acceptance of countless changes that made it possible for Neways to maintain operational continuity and continue to serve our customers well in these challenging times.

The resilience demonstrated by the company shows that we can look to the future with confidence.

Son, 25 February 2021

Supervisory Board
Henk Scheepers (Chairman)
Peter van Bommel
Hans Büthker
Karin de Jong

Consolidated statement of financial position

Amounts x € 1,000 as at 31 December	Note	2020	2019
Fixed assets			
Property, plant and equipment			
Buildings and land	5	42,666	47,566
Plant and equipment	5	25,484	29,880
Assets under construction	5	1,256	847
		69,406	**78,293**
Intangible fixed assets			
Software	6	3,032	4,140
Goodwill	6	2,754	2,754
Customer relationships	6	1,131	1,646
		6,917	**8,540**
Financial fixed assets			
Equity-accounted investees		5	5
Deferred tax assets	7	6,878	3,461
		6,883	**3,466**
Total fixed assets		**83,206**	**90,299**

Notes 1 to 26 are an integral part of these consolidated financial statements.

Amounts x € 1,000 as at 31 December	Note	2020	2019
Current assets			
Inventories			
Raw materials and consumables	8	59,710	70,410
Work in progress	8	19,927	28,197
Finished goods	8	2,667	2,036
		82,304	**100,643**
Receivables			
Contract assets		10,129	13,567
Trade and other receivables	9	56,179	70,903
Taxes and social security premiums		327	0
Corporate income tax		28	0
		66,663	**84,470**
Cash and cash equivalents	10	**2,043**	**2,240**
Total current assets		**151,010**	**187,353**
Total assets		**234,216**	**277,652**

For the portrait view of
the consolidated statement of financial position, click here.

Amounts x € 1,000 as at 31 December	Note	2020	2019
Equity			
Issued and paid-in capital	11	6,087	6,075
Share premium		45,913	46,313
Retained earnings		49,225	53,000
Currency translation reserve	11	778	701
Equity attributable to holders of equity instruments in the parent company		**102,003**	**106,089**
Non-current liabilities			
Lease liabilities	13	25,764	29,519
Provisions	14	0	575
Pension and jubilee provisions	15	5,628	5,426
Deferred tax liabilities	7	1,146	1,346
		32,538	**36,866**

Amounts x € 1,000 as at 31 December	Note	2020	2019
Current liabilities			
Bank overdrafts	13	4,587	36,545
Lease liabilities	13	5,148	5,379
Trade and other payables	17	68,720	82,860
Taxes and social security premiums		9,362	7,224
Corporate income tax		3,227	1,634
Provisions	14	8,631	1,055
		99,675	**134,697**
Total equity and liabilities		**234,216**	**277,652**

Notes 1 to 26 are an integral part of these consolidated financial statements.

For the portrait view of
the consolidated statement of financial position, click here.

Consolidated statement of profit or loss and comprehensive income

Amounts x € 1,000	Note	2020	2019
Revenue from sale of goods		478,571	533,454
Raw materials and consumables		–304,734	–336,812
Personnel costs	18	–134,587	–138,507
Depreciation and amortisation	19	–14,488	–14,455
Impairment loss on trade receivables and contract assets	9	–526	–24
Other expenses		–26,701	–28,508
Operating result		**–2,465**	**15,148**
Finance costs	20	–2,071	–2,938
Result before tax		**–4,536**	**12,210**
Tax income/(expense)	7	621	–3,692
Net result		**–3,915**	**8,518**
Other comprehensive income			
To be reclassified to profit or loss in subsequent periods:			
Foreign exchange translation differences for non-Dutch participations		77	43

Notes 1 to 26 are an integral part of these consolidated financial statements.

Amounts x € 1,000	Note	2020	2019
Total other comprehensive income to be reclassified to profit or loss in following periods		**77**	**43**
Items not to be reclassified to profit or loss in subsequent periods:			
Revaluation of the defined-benefit pension obligation	15	–280	–532
Related tax	7	84	160
Total		–196	–372
Total other comprehensive income not to be reclassified to profit or loss in following periods		**–196**	**–372**
Other comprehensive income for the period, net of tax		**–119**	**–329**
Total comprehensive income for the period, net of tax		**–4,034**	**8,189**
Earnings per share (in €)	21		
- Basic earnings per share		–0.32	0.70
- Diluted earnings per share		–0.32	0.70

For the portrait view of the consolidated statement of profit or loss and comprehensive income, click here.

Consolidated cash flow statement

Amounts x € 1,000	Note	2020	2019
Operating activities			
Result before tax		–4,536	12,210
Adjusted for:			
Depreciation of property, plant and equipment	5	12,867	12,645
Amortisation of intangible fixed assets	6	1,621	1,810
Costs of employee options granted	16	11	44
Costs of employee performance shares awarded	16	–81	435
Finance costs	20	2,071	2,938
Movements in provisions and pension obligations		6,924	–1,001
Movements in working capital*		24,941	6,729
		43,818	**35,810**
Other changes:			
Interest paid		–1,604	–2,649
Corporate income tax paid		–1,347	–3,717
Cash flow from operating activities		**40,867**	**29,444**
Investing activities			
Payments to acquire intangible assets	6	0	–113
Payments to acquire property, plant and equipment	5	–3,317	–12,888
Disposals of property, plant and equipment	5	0	0
Cash flow from investing activities		**–3,317**	**–13,001**

Notes 1 to 26 are an integral part of these consolidated financial statements.

Amounts x € 1,000	Note	2020	2019
Financing activities			
Repayments of interest-bearing borrowings	13	0	–44
Payments pursuant to leases		–5,849	–4,808
Increase/ (decrease) in bank overdrafts	13	–31,958	–5,272
Dividend paid to holders of ordinary shares	12	0	–5,815
Proceeds from exercise of options		18	504
Cash flow from financing activities		**–37,789**	**–15,435**
Change in cash and cash equivalents		**–239**	**1,008**
Net currency translation difference		42	166
Cash and cash equivalents as at 1 January		2,240	1,066
Cash and cash equivalents as at 31 December		**2,043**	**2,240**
***Movements in working capital**			
Inventories		18,339	14,488
Contract assets		3,438	–601
Trade and other receivables		14,724	–8,850
Trade and other payables		–13,371	1,089
Taxes and social security premiums		1,811	603
		24,941	**6,729**

For the portrait view of
the consolidated cash flow statement, click here.

Consolidated statement of changes in equity

Amounts x € 1,000	Note	Issued and paid-up capital	Share premium	Retained earnings	Currency translation reserve	Total equity
Balance as at 1 January 2019		**5,979**	**44,326**	**50,669**	**658**	**101,632**
Profit for the financial year		0	0	8,518	0	8,518
Other comprehensive income		0	0	–372	43	–329
Total comprehensive income for the period		0	0	8,146	43	8,189
Exercise of options	16	31	473	0	0	504
Award of share options		0	44	0	0	44
Award of performance shares		0	435	0	0	435
Issue of shares		65	1,035	0	0	1,100
Dividends	12	0	0	–5,815	0	–5,815
Total transactions with holders of shares in the parent company		96	1,987	–5,815	0	–3,732
Balance as at 31 December 2019		**6,075**	**46,313**	**53,000**	**701**	**106,089**
Loss for the financial year		0	0	–3,915	0	–3,915
Other comprehensive income		0	0	–196	77	–119
Total comprehensive income for the period		0	0	–4,111	77	–4,034
Exercise of options	16	1	17	0	0	18
Award of share options		0	11	0	0	11
Award of performance shares		0	128	0	0	128
Issue of shares		11	–556	336	0	–209
Dividends	12	0	0	0	0	0
Total transactions with holders of shares in the parent company		12	400	336	0	–52
Balance as at 31 December 2020		**6,087**	**45,913**	**49,225**	**778**	**102,003**

Notes 1 to 26 are an integral part of these consolidated financial statements.

For the portrait view of the consolidated statement of changes in equity, click here

Notes to the consolidated financial statements

1. GENERAL

Reporting entity and relationship with parent company

The consolidated financial statements of Neways Electronics International N.V. as at 31 December 2020 will be presented for adoption by the General Meeting of Shareholders to be held on 19 April 2021. Neways Electronics International N.V. is a company that is incorporated and domiciled in the Netherlands and its shares are publicly traded on the Euronext Amsterdam stock exchange (symbol: NEWAY). The company has its registered office in Eindhoven and its actual head office is located in Son. The Group consists of Neways Electronics International N.V. and its subsidiaries. The Group is an international one-stop provider of advanced integrated electronic components, assemblies, and systems for the industrial electronics sector.

Reporting period

These financial statements relate to the year 2020, which ended on the balance sheet date of 31 December 2020.

Continuity

Neways Electronics International N.V. has not identified any material uncertainty that might cast reasonable doubt on the entity's ability to continue to do business as a going concern. These financial statements have been prepared based on the assumption that the business will continue to trade as a going concern.

Company financial statements

These financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code, using the accounting principles adopted by the European Union and applied in the consolidated financial statements. Correct interpretation of these statutory financial statements requires the consolidated financial statements of the Company to be read in conjunction with the company financial statements, as set out on pages 99 to 105.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of presentation of the financial statements

Statement of compliance

The consolidated financial statements of Neways Electronics International N.V. and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union and as in effect at the start of the financial year, and in accordance with Book 2, Section 362(9) of the Dutch Civil Code. Changes in key accounting principles are described in the notes under point 2.2.

These consolidated financial statements were approved for publication by the Board of Directors and the Supervisory Board on 25 February 2021.

Accounting principles

The consolidated financial statements have been prepared based on historical cost.
The consolidated financial statements are presented in euros.

Consolidation principles

The Group has consistently applied the following financial reporting principles to all periods presented in these consolidated financial statements.
The consolidated financial statements include the financial data of Neways Electronics International N.V. and its subsidiaries as at 31 December.
This data has been processed in accordance with the full consolidation method based on uniform accounting principles. Adjustments have been made to bring any differences in valuation principles in line with those of the parent company. As a result, 100% of the financial data relating to the group companies has been included in the consolidation. All assets, liabilities, equity, income, expenses and cash flows arising from transactions within the group are completely eliminated during consolidation. Subsidiaries are businesses where Neways Electronics International N.V. exercises effective control. A new subsidiary is included in the consolidation from the time when effective control is acquired. Consolidation continues until effective control is lost. A change in the ownership interest in a subsidiary without loss of effective control is recognised administratively as an equity transaction. The Group changes the measurement of the remaining additions to the fair value from the time

when significant control is no longer exercised. The companies included in the consolidation are listed in note 22.

2.2. Summary of key accounting principles

Changes in key accounting principles

Application of the revised standards and interpretations had no material impact on the equity and the Group's result.

Operational segments

The Group's long-term strategy is aimed at strengthening its position as a one-stop provider of customer-specific industrial and professional electronic components, assemblies and systems for the Electronic Manufacturing Services (EMS) market. Intensive collaboration and clear communication between the different Neways operating companies ensures that customers in this market are optimally served, with all customer contacts being channelled through a designated point of contact.
Neways' Western European operating companies play an important role in promoting the company's one-stop-provider strategy. These operating companies are close to their customers, both in terms of customer contact and geographically.
The operating companies in Eastern Europe and Asia focus primarily on producing high-volume, less complex and stable series with a view to achieving cost benefits for customers. This production is usually commissioned by sister companies in Western Europe.

Continuous improvement in the collaboration at all levels in the organisation is essential in order to operate in respect of customers as a homogeneous, integrated group of companies with a coherent quality policy, recognisable culture and a shared vision.

The Group's management takes decisions based on its own assessments and direct communication with all those involved. Financial management is based on consolidated information. Neways is therefore only active in one operating segment as defined in IFRS 8.

Of the total revenue of € 478.6 million in 2020 (2019: € 533.4 million), a single customer was responsible for a revenue of € 101.9 million (2019: € 93.5 million) and a second customer generated a revenue of € 29.2 million (2019: € 42.4 million). The breakdown of revenue by market sectors and geographical areas is as follows:

Revenue split by market sector

Amounts x € 1,000,000	2020	2019
Industrial	144	163
Semiconductor	162	145
Automotive	114	160
Medical	53	54
Other	6	11
Total	**479**	**533**

Geographical revenue split

Amounts x € 1,000,000	2020	2019
Germany	164	231
Netherlands	210	183
Europe (other)	68	81
America	23	22
Asia	14	16
Total	**479**	**533**

Consolidated cash flow statement

The consolidated cash flow statement has been prepared using the indirect method. Cash flows in foreign currencies are translated at the average foreign exchange rate. Foreign exchange differences relating to cash and cash equivalents are shown separately in the cash flow statement. Interest paid and income taxes are recognised under operational cash flows. The cash flow statement also takes into account effects ensuing from the sale and acquisition of group companies and participations included in the consolidated accounts for the first time.

Business combinations and goodwill

Business combinations are recognised based on the acquisition method, which involves recognising the identifiable assets and the liabilities and contingent liabilities assumed at fair value, including those not previously recognised by the acquiree. Costs (excluding finance costs) that relate to the acquisition are charged directly to the statement of profit or loss. Finance costs incurred to set up loans to finance the acquisition are capitalised and amortised over the terms of the loans. If the business combination comes into being in different stages, the fair value of the acquirer's previously held interest in the acquiree is recalculated at the acquisition date and the change in value recognised in the statement of profit or loss.

Goodwill that arises as a result of a business combination is initially recognised at purchase price (i.e. the difference between the purchase price of the business combination and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities). If the purchase price of a business combination is lower than the net fair value of the assets and liabilities acquired, the difference is recognised directly in the statement of profit or loss, as a bargain purchase gain on the acquisition date.

The goodwill is subsequently valued at cost, net of any cumulative impairment losses. Goodwill is assessed for impairment each year, or more often if events or changing circumstances give cause to believe that the carrying amount may have been subject to an impairment. For the purpose of this impairment assessment, the goodwill ensuing from a business combination is allocated from the acquisition date to the Group's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the Group are allocated to those units or groups of units. An impairment is determined by assessing the realisable value of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. The realisable value is determined as either the value in use or the direct realisable value minus the selling costs, whichever is higher. If the realisable value of the cash-generating unit (or group of cash-generating units) is lower than the carrying amount, an impairment is recognised. Impairment of goodwill is not reversed if the realisable value increases at a later date.

Translation of foreign currencies

The consolidated financial statements are presented in euros, which is also the Group's functional and reporting currency. Each group entity determines its own functional currency, and the items that are recognised in the financial statements of each entity are valued based on this functional currency.

I) Transactions and balance sheet items

Transactions in a foreign currency are recognised initially at the exchange rate for the functional currency on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate in force on the balance sheet date. All differences are charged to the statement of profit or loss, except for the differences relating to permanently invested loans to non-Dutch participations that serve to finance these non-Dutch participations, and for which no repayments are scheduled and/or immediately foreseen. These differences are recognised directly in equity until the net addition in question is disposed of, at which time they are recognised in the statement of profit or loss. Non-monetary items that are valued at historical cost in a foreign currency are translated at the prevailing foreign exchange rates as at the date of the original transactions Non-monetary items that are valued at fair value in a foreign currency are translated at the prevailing foreign exchange rates as at the date of determination of the fair value.

II) Group companies

On the reporting date, the assets and liabilities of the non-Dutch entities are translated to the Group's reporting currency (i.e. euros) at the foreign exchange rate on the balance sheet date, and to the statement of profit or loss at the foreign exchange rate on the date of the transactions.

The exchange differences ensuing from translating equity and the borrowings of participations are directly recognised as a separate equity component in the translation reserve. On disposal of a non-Dutch entity, the deferred cumulative amount recognised for that non-Dutch entity in the equity is then recognised in the statement of profit or loss.

Financial instruments

Financial assets

Financial assets are measured at fair value on initial recognition.

The Group's financial assets comprise cash and cash equivalents, trade and other receivables. Following initial recognition, trade and other receivables are recognised at the amortised cost, if necessary net of any impairments.

Derecognition of financial assets on the balance sheet

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is derecognised if the Group is no longer entitled to the cash flows from this asset, or if the Group has transferred its rights to the cash flows from this asset, or (a) has transferred all the risks and benefits associated with this asset, or (b) has not substantially transferred all the risks and benefits of this asset, but has instead transferred control.

Impairment of financial fixed assets

Financial instruments and contract assets

The Group recognises provisions for expected credit losses relating to:

- financial assets valued at amortised cost; and
- contract assets.

The Group values provisions for credit losses at an amount equal to the expected credit losses during the entire term of the asset, with the exception of the following, which are valued at an amount equal to the expected credit losses in the coming 12 months:

- debt instruments that are determined to have a low credit risk on the reporting date; and
- other debt instruments and bank balances for which the credit risk (i.e. the risk of default during the expected life of the financial instrument) has not significantly increased since initial recognition.

Provisions for credit losses relating to trade receivables and contract assets are always valued at an amount equal to the expected credit losses during the entire term of the asset. When determining whether the credit risk associated with a financial asset has substantially increased since initial recognition and when estimating expected credit losses, the Group uses reasonable supporting information that is relevant and available without incurring disproportionate cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and the credit assessment made by the Group, including forward-looking information.

The Group considers a financial asset to be in default if it is unlikely that the borrower will be able to fully meet its credit obligations towards the Group, without the Group taking recourse to debt-recovery actions such as invoking guarantees (if present).

Measurement of expected credit losses

The expected credit losses are a probability-weighted estimate of credit losses. Credit losses are expressed as the present value of all cash deficits (i.e. the difference between the cash flows payable to the entity under the contract and the cash flows that the Group expects to receive). The expected credit losses are discounted at the effective interest rate of the financial asset.

Presentation on the balance sheet of the provision for expected credit losses

Provisions for credit losses for financial assets valued at amortised cost are deducted from the gross carrying amount for the asset.

Write-downs

The gross carrying amount of a financial asset is written down if the Group does not have a reasonable expectation of collecting all or part of it. In the case of corporate customers, the group makes an individual assessment of the timing and extent of write-down, based on whether there is a reasonable expectation of collection. The Group does not expect any significant recovery of amounts that have already been written down. However, in the case of derecognised financial assets, activities may still be carried out in order to comply with the Group's procedures for collecting defaulted amounts.

Financial liabilities

Financial liabilities are initially recognised at fair value, including directly attributable transaction costs in the case of borrowings. The Group's financial liabilities comprise trade and other payables, bank overdrafts and lease liabilities. After initial recognition, the financial liabilities are recognised and valued at amortised cost based on the effective interest method.

Derecognition of financial liabilities on the balance sheet

A financial liability is derecognised on the balance sheet when the contractual obligations arising from this are discharged or cancelled, or expire. If an existing financial liability is replaced by another in respect of the same lender but under substantially different terms, or the terms of the existing liability are changed significantly, any such replacement or change is treated as derecognition of the original liability on the balance sheet and a new liability is recognised. The difference in the associated carrying amounts is included in the statement of profit or loss.

Netting of financial instruments

Financial assets and financial liabilities are only offset against each other and reported at the net amount on the consolidated statement of financial position when there is a legally enforceable right to offset the amounts and an intention to net the amounts, or to realise the assets and settle the liability simultaneously.

Property, plant and equipment

Plant and equipment are recognised at cost, less the accumulated amortisation and depreciation and the accumulated impairment.
The cost of daily maintenance is recognised directly in the statement of profit or loss. The cost of replacing parts of this plant and equipment is only recognised on the balance sheet if it is likely that the resulting future economic benefits will accrue to the Group. The carrying amount for plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be realisable.
Buildings and land are recognised at cost, net of accumulated amortisation and depreciation on the buildings and the accumulated impairment.
Land and assets under construction are not depreciated. Amortisation and depreciation are calculated using the straight line method based on the useful life and estimated residual value of the asset in question, as follows:

- buildings — 10 to 25 years
- plant and equipment — 5 to 10 years

Structural alterations and improvements to buildings that are leased are also recognised under buildings. Property, plant and equipment are derecognised on the balance sheet when disposed of or if no future economic benefits are expected from their use or disposal. Any gains or losses arising from removal of the asset from the balance sheet (which is calculated as the difference between the net proceeds on disposal and the carrying amount of the asset) is recognised in the statement of profit and loss during the year in which the asset is derecognised. The asset's residual value, useful life and the valuation methods are assessed at the end of each financial year and adjusted if necessary.

Leases

Determining whether an arrangement is, or contains, a lease, is based on the terms of the arrangement at the time of agreeing the lease arrangement. The agreement is (or contains) a lease if fulfilment of the agreement depends on the use of one or more specific assets and the agreement contains the right to use the asset(s) in exchange for a fee, even if that right is not explicitly stated in an arrangement.

At the beginning, or upon reassessment, of a contract that contains a lease component, the Group allocates the consideration under the contract to a lease and a non-lease component based on the relative stand-alone prices.

The right-of-use asset and the lease liability are recognised from the commencement date of the lease. The right-of-use asset is initially recognised at cost and subsequently at cost less the accumulated amortisation and depreciation, using the linear method, and accumulated impairment, adjusted based on specific recalculations of the lease liability.

In the case of some leases of plant and equipment with a low asset value and leases agreed for a term of less than 12 months, the Group has decided not to recognise a right-of-use asset and a lease liability on the balance sheet. The lease payments related to these leases are recognised under other operating expenses on a linear basis during the term of the contract.

At the time of initial recognition, the lease liability is valued based on the present value of the lease payments that still have to be made, discounted at the interest rate implicit in the lease in question, or if this interest rate cannot be determined, the Group's incremental borrowing rate. In general, the Group uses the incremental borrowing rate as the discount rate. Following measurement at the time of initial recognition, the lease liability is increased by the interest expenses and reduced by the lease instalments paid on each subsequent occasion. Recalculation takes place when the future lease payments change due to a change in an index or rate, a change in the estimated payable amount in relation to a residual value guarantee, or, if applicable, a change in the expectation that a purchase option or renewal option will be exercised, or if it is expected that a termination option will be exercised.

If the lease liability is recalculated in this way, a corresponding adjustment is made to the measurement of the right-of-use asset, or recognised in the statement of profit or loss when the carrying amount of the asset is reduced to nil.
The Group classifies the right of use associated with assets in the balance sheet under property, plant and equipment and lease liabilities under lease liabilities.

The Group has exercised its own judgement when determining the lease term for some leases with renewal options. The estimation whether the Group will, with a reasonable degree of certainty, make use of such options has an effect on the lease term, which in turn significantly affects the amount of the lease liability and the right-of-use asset.

Intangible fixed assets (excluding goodwill)

Separately acquired intangible fixed assets are initially recognised at cost. Expenditure after initial recognition is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. After initial measurement, intangible fixed assets are measured at cost less accumulated amortisation and any accumulated losses due to impairment. Intangible fixed assets with a definable useful life are amortised over the useful life and assessed for impairment if there are indications that the intangible fixed asset may have been subject to an impairment. The amortisation period and method for an intangible fixed asset with a definable useful life are assessed at the end of each financial year at the latest. Changes in the expected useful life or in the expected pattern of future economic benefits of the asset are recognised by changing the amortisation period or method and treated as a change in the accounting estimate.

The amortisation charge relating to intangible fixed assets is recognised as follows in the statement of profit or loss:

- software 5 to 10 years
- customer relationships 5 to 10 years

Gains or losses arising from removal of an intangible fixed asset from the balance sheet are calculated as the difference between the net proceeds on disposal and the carrying amount of the asset, and recognised in the statement of profit and loss at the time of derecognition.

Impairment of non-financial assets (excluding goodwill)

The Group assesses whether there are indications that an asset has been subject to an impairment on each reporting date. If any such indication exists, or if annual impairment

assessment of an asset is required, the Group estimates the asset's realisable value. The realisable value of an asset is the value in use, or the immediate realisable value of an asset when sold, or the cash-generating unit net of the selling costs, whichever is higher.
The realisable value is determined for each asset individually, unless the asset does not generate cash flows that are largely independent of those of other assets or groups of assets. If the carrying amount of an asset exceeds the realisable value, the asset is deemed to have been subject to an impairment and is written down to the realisable value. The realisable value is the value in use or the direct realisable value minus the selling costs, whichever is higher. When assessing the value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects the current market assessments of the time value of money and the specific risks associated with the asset. Impairments losses of continuing operations are included in the statement of profit or loss in the expense category that corresponds to the function of the impaired asset. In the case of assets (excluding goodwill), an assessment is made on each reporting date to determine whether there are indications that a previously recognised loss due to impairment no longer exists or has decreased, and if so an estimation is made of the realisable value.
A previously recognised loss due to impairment is only reversed if a change has arisen in the assumptions used to determine the realisable value of the asset since the last impairment loss was recognised. If this is the case, the asset's carrying amount is increased to the realisable value. This increased amount may not exceed the carrying amount that would have been determined, net of amortisation and depreciation, if no loss due to impairment had been recognised for the asset in previous years. Any such reversal is recognised in the statement of profit or loss.

Inventories

Inventories are valued at either cost or net realisable value, whichever is lower.
The cost includes the following cost items:

Raw materials and consumables	- Purchase price on a first-in/first-out basis
Work in progress and finished goods	- Direct costs of materials and labour, plus a portion of the fixed production costs based on the normal operating capacity, but excluding finance costs

The net realisable value is the estimated selling price in the ordinary course of business, minus the estimated costs of completion and the estimated costs of finalising the sale.

Cash and cash equivalents

Cash and cash equivalents on the balance sheet consist of bank balances and cash. For the purposes of the consolidated cash flow statement, the cash and cash equivalents are as defined here.

Provisions

General

A provision is recognised if the Group has a current (contractual or constructive) obligation as a result of an event in the past, if it is probable that an outflow of resources will be required to settle a liability and if a reliable estimate can be made of the amount of the liability. If the Group expects that a provision or a part of that provision will be reimbursed, e.g. under an insurance contract, the reimbursement is only recognised as a separate asset if reimbursement is virtually certain. The expense associated with a provision is recognised in the statement of profit or loss net of any reimbursement.
If the effect of the time value of money is material, provisions are discounted to their present value at a post-tax discount rate that reflects the specific risks associated with the liability, if applicable. If discounting takes place, the increase in the provision due to the passage of time is recognised as finance costs.

Provision for onerous contracts

A provision for onerous contracts is recognised for expected losses incurred in relation to an ongoing contract and valued at the present value of the expected costs of terminating the contract or, if lower, at the present value of the expected net costs associated with continuing the contract, determined based on the incremental costs required for fulfilling the obligation pursuant to the contract. The Group recognises any loss due to impairment for the assets that are related to the contract first, before a provision is made.

Provision for claims

A provision for claims is made if a ruling against the Group is likely in a legal dispute. The provision represents the best estimate of the amount for which the liability can be settled, and also includes legal costs.

Provision for restructuring

A restructuring provision is recognised when the Group has approved a detailed and formal restructuring plan, and a start has been made on implementation of the restructuring exercise, or when it has been announced publicly. A provision is not made for future operating losses. For more information, refer to note 14.

Pensions and other post-employment benefits

The Group has a defined contribution plan based on the career-average system for employees of the Dutch participations, for which amounts must be paid into the separately managed industry-wide pension fund 'Pensioenfonds Metalektro'. Other legal entities also contribute to this pension plan. The participating businesses do not have any obligation to make good any shortfalls in this pension fund, and also have no claim to possible surpluses. For these reasons, this pension plan is treated as a defined contribution plan in the financial statements.

The Group has defined-benefit pension plans and early retirement plans for employees and former employees of a number of German participations. The costs of the defined-benefit pension plans and early retirement plans are determined annually in accordance with actuarial practice by a qualified actuary using the *'projected unit credit method'*.
Revaluations, which include actuarial gains and losses, are recognised in other comprehensive income. Revaluations are not transferred to the statement of profit or loss in the following periods. The Group does not have any plan assets. The interest surplus is calculated by applying the discount rate to the net liability under the pension plan that exists at the beginning of the financial year, taking into account changes in the net liability during the financial year as a result of pension plan contributions and payouts. Interest expenses and other costs related to the defined-benefit and early retirement plans are recognised in the statement of profit or loss. In the event of a change to or curtailment of a pension plan or early retirement plan, the resulting changes in past service costs are recognised in the statement of profit or loss on the effective date of the change or curtailment.

Long-service provisions

Employees of the Dutch participations receive additional remuneration upon reaching a certain number of years in employment. The costs of these long-service bonuses are determined based on actuarial calculations.
Please refer to note 15 for the assumptions used in this respect.

Short-term employee benefits

Short-term employee benefits are recognised as an expense upon performance of the related service. A liability is recognised for the amount that is expected to be paid if the Group has a legal or constructive obligation to pay this amount as a result of services performed by the employee and the liability can be determined in a reliable manner.

Share-based payment transactions

Members of the Board of Directors and some other officers of the Group receive remunerations in the form of share-based payment transactions where these employees provide services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The costs of equity-settled transactions with employees are valued at fair value on the grant date. The fair value is determined based on the Black & Scholes model (see note 16 for more information). The plans that are in operation consist of a share option plan and a performance share plan. Performance conditions are not taken into account when measuring equity-settled transactions in the case of the share option plan. Performance conditions are taken into account when measuring equity-settled transactions in the case of the performance share plan.

The costs of equity-settled transactions, together with an equal increase in equity, are recognised in the period in which the conditions for performance and/or the service are fulfilled, ending on the date on which the employees concerned become fully entitled to the award (i.e. the date on which they become unconditional). These costs are recognised as personnel costs. The cumulative costs recognised for equity-settled transactions as at the reporting date reflect the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.
The amount charged to the statement of profit or loss for a specific period reflects the changes in the cumulative expense that is recognised at the beginning and end of that period. If a commitment settled in equity instruments is cancelled, it is treated as if it has become unconditional as of the cancellation date, and any expense not yet recognised for this commitment is recognised immediately. However, if the cancelled commitment is replaced by a new commitment and the latter is designated as a replacement commitment on the grant date, the cancelled and the new commitments are treated as though they are changes to the original commitment, as set out in the previous paragraph.
The dilution effect on the existing options and performance shares is reflected as an additional dilution of the shares when calculating the diluted earnings per share (see also note 21).

Revenue recognition

Revenues are valued based on the fee specified in a contract with the customer. The Group recognises revenues at the time when it transfers control of the goods or services to the customer. For the types of products listed below, information about the nature and time of meeting performance obligations in contracts with customers, including key payment terms and the associated principles for revenue recognition, is provided.

Standard products

Customers acquire the right of disposal of standard products when the goods are delivered to and accepted at their premises. This is also the time when revenues are recognised. Invoices are generated at that time and are usually payable within 30 to 90 days. For some customers, it has been agreed that the goods be delivered as consignment stock to the customer's warehouse. The revenues are recognised when the goods are withdrawn from the customer's consignment stock. Invoices are generated at that time and are usually payable within 30 to 90 days.

Products made to order

In the case of products made to order, the Group has determined that the customer has right of disposal of the finished goods when the products have been manufactured. This is due to the fact that products made under these contracts are produced to a customer's specifications and, if a contract is terminated by the customer, the Group is entitled to reimbursement of the costs incurred up to that date, including a reasonable margin. The resulting uninvoiced amounts are presented as contract assets. Revenues and the associated costs are recognised over time, in this case before the goods are delivered to the customer. The related margin is realised at the time when production has been completed and the product is in stock as a finished item.

Contract assets

The contract assets relate to the Group's rights to reimbursement for work completed for products made to order, which has not been invoiced on the reporting date. The contract assets are reclassified as receivables when the rights become unconditional. In general, this occurs when the Group sends an invoice to the customer.

Work in progress

The Group carries out development, prototyping and engineering projects for the customer. The projects run for different periods.
Revenues are recognised over time based on the cost-to-complete method. The related costs are recognised in the profit or loss statement when they are incurred. Advances that have been received are included under the other payables.
Revenues from work in progress amounted to approximately 5% of the total revenues of the Group in the 2020 financial year (2019: approximately 4%).

Finance costs

The interest expenses listed below are recognised based on the amortised cost using the effective interest method.

Taxation

Current tax and deferred tax

Current tax and deferred tax assets and liabilities for the current and previous years are valued at the amount that is expected to be recovered from or paid to the tax authorities. The amount of taxation is calculated based on the tax rates and applicable tax legislation, as determined by law on the reporting date, in the countries in which the Group generates taxable income. Current income tax that relates to items recognised directly in equity is accounted for as equity and not in the statement of profit or loss. Management periodically evaluates the positions taken in tax returns in situations where different interpretations are possible and makes provisions where necessary.

Deferred taxation

A provision for deferred tax liabilities is formed based on the temporary differences as at the balance sheet date between the fiscal carrying amount of the assets and liabilities and the carrying amount assigned to them in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences, other than in the following cases:

- If the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, does not have any influence on the profit before tax or the fiscal result.
- In respect of taxable temporary differences pertaining to additions to subsidiaries, if the time of resolution can be controlled wholly independently and it is probable that the temporary difference will not be resolved in the near future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax facilities and tax losses available for offset, insofar as it is probable that taxable profit will be available against which the deductible temporary difference can be offset, and the deductible temporary differences, unused tax facilities and tax losses available for offset can be utilised, except:

- If the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not have any influence on the profit before tax or the taxable result.
- For deductible differences relating to additions to subsidiaries, to the extent that it is probable that the temporary difference will be resolved in the near future and taxable profit will be available against which the temporary difference can be offset.

The carrying amount for the deferred tax assets is assessed on the balance sheet date and reduced to the extent that it is not probable that adequate taxable profit will be available against which the temporary difference can be fully or partially offset. Unrecognised deferred tax assets are reassessed on the balance sheet date and recognised to the extent that it is probable that taxable profit will be available in the future against which these deferred assets can be offset. Deferred tax assets and liabilities are valued at the tax rates that are expected to apply to the period in which the asset will be realised or the liability settled, based on the tax rates determined by law and prevailing tax legislation. The tax on items recognised directly in equity is accounted for as equity instead of in the statement of profit or loss.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set off tax assets against tax liabilities and the deferred taxation relates to the same taxable entity and the same tax authority.

Government grants

Government grants are recognised if there is a reasonable degree of certainty that the grant will be received and that all relevant conditions will be met. If the grant relates to a cost item, the grant is recognised as income for the period necessary for allocating it systematically to the costs for which the grant is intended. If the grant relates to an asset, the fair value is credited to an accrual that is released to the statement of profit or loss in equal annual instalments during the expected useful life of the asset concerned.

3. KEY ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the Group's financial statements, management has a duty to make judgements, estimates and assumptions on the balance sheet date that affect the reported amounts of revenues, expenses, assets, liabilities and off-balance sheet commitments. However, the inherent uncertainty relating to these assumptions and estimates may lead to outcomes that require material amendments to the carrying amount for the asset or liability in question.

Judgements

When applying the Group's financial reporting principles, the following judgements made by management are those that have the most significant effect on the amounts recognised in the financial statements.

Pensions

The pension plan for the employees in the Netherlands has been placed with an industry-wide pension fund. This is a collective plan based on the career-average system and other legal entities participate in it. This plan is administered by 'Bedrijfstakpensioenfonds Metalektro'. The participating businesses do not have any obligation to make good any shortfalls in this pension fund, and also have no claim to possible surpluses. For these reasons, this pension plan is treated as a contribution plan in the financial statements.

Lease liabilities – renewal options

A number of building leases contain renewal options that can be exercised by the Group up to one year before the end of the non-cancellable contract period. The renewal options can only be exercised by the Group and not by the lessors. The Group determines during the term of the lease whether it is reasonably certain that the renewal options will be exercised. The group re-assesses whether it is reasonably certain that the options will be exercised in the case of an important event, or important changes in circumstances that the Group itself controls. The Group has estimated that, if it were to exercise the renewal options of a maximum of 5 years, the potential future lease payments would result in an increase of € 14.3 million in the lease liabilities.

Revenue recognition

Please refer to 'Revenue recognition' under note 2.2 'Summary of key accounting principles' for details of when the Group's revenues are recognised, over time or at a specific moment in time.

Estimates and assumptions

The key assumptions regarding the future and other significant sources of estimation uncertainty on the balance sheet date, and which by their nature have a significant risk of requiring a material adjustment to the carrying amount of assets and liabilities in the next financial year, are set out below.

Fair value of assets and liabilities

Contingent consideration balances arising from business combinations are valued at fair value on the acquisition date, as part of the business combination. If the contingent consideration satisfies the definition of a financial liability, revaluation at fair value takes place subsequently on each reporting date.
The fair value is based on the cash flows after they have been discounted to their present value.

The key assumptions take into account the likelihood of the performance targets being met, and the discount rate.

Property, plant and equipment
The asset's residual value, useful life and the valuation methods are assessed at the end of each financial year and adjusted if necessary. No adjustments were made during the financial year.

Impairment of goodwill
The Group determines at least once a year whether goodwill has been subject to impairment. This requires an estimate of the value in use of the cash-generating units to which goodwill is allocated. To assess the value in use, the Group makes an assessment of the expected future cash flows from the cash-generating unit and also determines a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the goodwill as at 31 December 2020 was € 2.8 million (2019: € 2.8 million). For more information, refer to note 6.

Deferred tax assets
Deferred tax assets relating to tax losses carried forward are recognised to the extent that it is likely that taxable profits will be available against which the losses can be offset.
Determining the amount of deferred tax assets that can be recognised requires significant management judgement based on the probable timing and level of future taxable profits, in combination with future tax planning strategies. The carrying amount of the deferred tax asset for tax losses as at 31 December 2020 was € 6.2 million (2019: € 3.8 million).
All tax losses in Germany are recognised on the balance sheet as per 31 December 2020.
No deferred tax assets have been recognised on the balance sheet for unused losses that could potentially be carried forward in China, which amount to € 0.5 million (31 December 2019: € 0.6 million), as it is currently not yet likely that the Group will realise future taxable profits, against which it could utilise these deferred tax assets. For more information, refer to note 7.

Inventories
When measuring inventories, an estimate is made of possible obsolescence. This involves making estimates based on both historical and future revenue. Future revenue is based on secured orders in the future. As at 31 December 2020, the provision for inventory write-downs amounted to € 13.6 million (2019: € 10.3 million).

Provision for onerous contracts
When determining the amount of this provision, assumptions and estimates have been made in relation to the expected costs of continuing the contracts until the time of delivery.

Restructuring provision
When determining the amount of this provision, assumptions and estimates have been made in relation to the expected restructuring costs, including severance pay and consultancy fees. For more information, refer to note 14.

Pension plans and long-service bonuses
The costs of defined-benefit pension plans, early retirement plans and long-service bonus arrangements are determined using actuarial methods. The actuarial methods include making assumptions about discount rates, future salary increases, mortality rates and future indexation of pension benefits. Due to the long-term nature of these arrangements, these estimates are subject to considerable uncertainty. All assumptions are reviewed on each reporting date. The net commitment as at 31 December 2020 amounted to € 5.6 million (2019: € 5.4 million). For more information, refer to note 15.

4. AS YET UNADOPTED STANDARDS AND INTERPRETATIONS

A number of new standards are effective for financial years starting after 1 January 2020, but may be applied earlier. However, when preparing its consolidated financial statements, the Group has not opted for early application of any new or amended standards.
The following amended standards and interpretations are not expected to have a significant effect on the Group's consolidated financial statements.

- Onerous contracts - costs of fulfilling a contract (Amendments to IAS 37).
- Interest rate benchmark reform - phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).
- COVID-19 related rent concessions (Amendment to IFRS 16).
- Property, plant and equipment: proceeds before intended use (Amendments to IAS 16).
- Reference to conceptual framework (Amendments to IFRS 3).
- Classification of liabilities as current or non-current (Amendments to IAS 1).
- IFRS 17 Insurance contracts and amendments to IFRS 17 Insurance contracts.

As the aforementioned amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements, the estimated quantitative and/or qualitative impact has/have not been explained further.

5. PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment are shown in the table below

Amounts x € 1,000	Buildings and land	Plant and equipment	Assets under construction	Total
Cost:				
Balance as at 1 January 2019	**57,293**	**97,743**	**3,042**	**158,078**
Additions	5,624	9,941	1,306	16,871
Disposals	0	–8,991	0	–8,991
Reclassification	–605	4,106	–3,501	0
Currency translation differences	0	21	0	21
Balance as at 31 December 2019	**62,312**	**102,820**	**847**	**165,979**
Additions	412	2,433	1,218	4,063
Disposals	–2,246	–14,792	0	–17,038
Reclassification	217	326	–809	–266
Currency translation differences	–109	103	0	–6
Balance as at 31 December 2020	**60,586**	**90,890**	**1,256**	**152,732**

Assets under construction are not depreciated. Plant, equipment and assets under construction have been pledged to the lenders as security. For more information, refer to note 13.

Property, plant and equipment includes € 30,342 million (2019: € 34,553 million) for right-of-use assets.

Information about lease liabilities is provided in note 23.

Amounts x € 1,000	Buildings and land	Plant and equipment	Assets under construction	Total
Depreciation and impairment:				
Balance as at 1 January 2019	**9,612**	**74,276**	**0**	**83,888**
Depreciation charge for the financial year	5,272	7,373	0	12,645
Disposals	0	–8,847	0	–8,847
Reclassification	–138	138	0	0
Balance as at 31 December 2019	**14,746**	**72,940**	**0**	**87,686**
Depreciation charge for the financial year	5,457	7,411	0	12,868
Disposals	–2,246	–14,722	0	–16,968
Reclassification	2	–296	0	–294
Currency translation differences	–39	73	0	34
Balance as at 31 December 2020	**17,920**	**65,406**	**0**	**83,326**
Carrying amount:				
As at 31 December 2020	42,666	25,484	1,256	69,406
As at 31 December 2019	47,566	29,880	847	78,293
As at 1 January 2019	47,681	23,467	3,042	74,190

6. INTANGIBLE FIXED ASSETS

The changes in intangible fixed assets are shown in the table below:

Amounts x € 1,000	Software	Goodwill	Customer relationships	Total
Cost:				
Balance as at 1 January 2019	**12,066**	**2,798**	**8,386**	**23,250**
Additions	113	0	0	113
Disposals	–15	0	0	–15
Balance as at 31 December 2019	**12,164**	**2,798**	**8,386**	**23,348**
Additions	34	0	0	34
Disposals	–1,387	0	–3,908	–5,295
Reclassification	7	0	0	7
Currency translation differences	4	0	0	4
Balance as at 31 December 2020	**10,822**	**2,798**	**4,478**	**18,087**

Amounts x € 1,000	Software	Goodwill	Customer relationships	Total
Amortisation and impairment:				
Balance as at 1 January 2019	**6,911**	**44**	**6,058**	**13,013**
Amortisation	1,128	0	682	1,810
Amortisation and depreciation on disposals	–15	0	0	–15
Balance as at 31 December 2019	**8,024**	**44**	**6,740**	**14,808**
Amortisation	1,106	0	515	1,621
Amortisation and depreciation on disposals	–1,336	0	–3,908	–5,244
Reclassification	–4	0	0	–4
Currency translation differences	0	0	0	0
Balance as at 31 December 2020	**7,790**	**44**	**3,347**	**11,185**
Carrying amount:				
As at 31 December 2020	3,032	2,754	1,131	6,917
As at 31 December 2019	4,140	2,754	1,646	8,540
As at 1 January 2019	5,155	2,754	2,328	10,237

The customer relationships include customer orders and customer bases acquired through business combinations in 2014, resulting from the process of recognising and identifying all identifiable intangible assets acquired at the time of the acquisition. Customer orders have already been amortised over a period of 1 to 2 years. Customer bases are amortised over a period of 5 to 10 years.

The estimated amortisation on customer relationships in the coming four years is as follows:
2021: € 0.5 million
2022: € 0.3 million
2023: € 0.2 million
2024: € 0.1 million

The software is amortised on a linear basis over a period of 5 to 10 years. If there are indications of an impairment, an estimate is made of the realisable value and an impairment is recognised if the realisable value is lower than the carrying amount.

Assessment of impairment of goodwill

The production companies within the Group are the cash-generating unit to which this goodwill arising from business combinations is allocated. All the legal entities within the Group are inextricably linked, meaning that there is only one cash-generating unit.

The Group carried out its annual impairment assessment as at 31 December 2020.

The realisable value of the goodwill is determined based on value in use.
The future cash flows are used to calculate this value, in line with the cash-generating unit's financial budgets and forecasts over a period of five years. The discount rate used in this case (before tax) is 13% (2019: 15.2%).

Key assumptions when calculating the value in use

The following assumptions have the greatest effect on the calculation of the value in use of the cash-generating unit.

- Operating result
- Discount rates
- The growth rate used to extrapolate cash flows beyond the budgetary period.

Operating result

The operating result as a percentage of revenue is based on the average values realised during the past three years, plus efficiency improvements expected during the budgetary period.

Discount rates

Discount rates reflect management's current assessment of the specific market risks relating to the cash-generating unit. It is the measure used by management to assess operational performance and proposals for future additions. The discount rate after tax used in this case is 9.7% (2019: 11.4%) and reflects the weighted average cost of capital (WACC).

Growth rate

The cash flows after the 5-year period have been extrapolated using a growth rate of 0% (2019: 2%).

Sensitivity to changes in assumptions

When assessing the value in use of the cash-generating unit, management believes that a reasonable and possible change to one or more of the key assumptions above would not cause the carrying amount of the cash-generating unit to materially exceed its realisable value. The calculated value in use is substantially higher than the cash-generating unit's carrying amount. The consequences of the key assumptions for the realisable value are explained in detail below.

- Operating result: A decrease in the relative operating result of up to 1% per year from 2021 would not lead to an impairment.
- Discount rates: An increase in the discount rate (after tax) of 1% would not lead to an impairment.

7. TAXATION

Amounts x € 1,000	Consolidated statement of financial position		Consolidated statement of profit or loss		Other comprehensive income	
	2020	2019	2020	2019	2020	2019
Deferred tax assets						
Available from unused tax losses	6,177	3,786	2,391	–758		
Intangible fixed assets	166	209	–43	–64		
Financial fixed assets	187	174	14	13		
Pensions	631	586	–40	–39	84	160
Other provisions	818	0	818	0		
Other valuation differences	319	269	52	187		
Total deferred tax assets	**8,298**	**5,024**	**3,192**	**–661**	**84**	**160**
Deferred tax liabilities						
Intangible fixed assets	–466	–317	–103	–60		
Customer relationships	–339	–494	155	205		
Property, plant and equipment	–732	–617	–161	31		
Inventories	–264	–238	–26	116		
Other provisions	0	–224	224	–102		
Proceeds from products recognised over time	–656	–909	253	0		
Other valuation differences	–109	–110	0	23		
Total deferred tax liabilities	**–2,566**	**–2,909**	**342**	**213**	**0**	**0**
Net deferred tax asset	**5,732**	**2,115**	**3,534**	**–448**	**84**	**160**
Recognised as follows on the balance sheet:						
Deferred tax assets	6,878	3,461				
Deferred tax liabilities	–1,146	–1,346				
Net deferred tax asset	**5,732**	**2,115**				

The tax burden in the consolidated statement of profit or loss breaks down as follows:

Amounts x € 1,000	2020	2019
Income tax for the current financial year		
Current tax charge	323	–3,702
Tax rate adjustment in respect of previous years	–845	–300
Deferred taxation:		
In relation to the materialisation and settlement of temporary differences	1,143	310
Income tax included in the consolidated statement of profit or loss	**621**	**–3,692**
Deferred taxation on items recognised in other comprehensive income during the financial year:		
Tax income/(expense) on defined-benefit pension plans	84	160
Income tax included in other comprehensive income	**84**	**160**

The adjustment to the tax rate for prior years relates to adjustments following a tax audit of the German participations.

The reconciliation between taxation at the rate applicable in the Netherlands and the effective tax rate for the Group is as follows:

Amounts x € 1,000	2020	2019
Result before taxes	**–4,536**	**12,285**
Taxation at the rate of 25% applicable in the Netherlands	1,151	–3,059
Effect of other tax rates that apply for non-Dutch participations	817	–168
Tax charge adjustment in respect of previous years	–845	–132
Non-deductible expense	–447	–214
Losses in the current financial year for which no deferred tax receivable has been recognised	–5	–98
Effect of a higher tax rate on deferred tax liabilities	–50	–21
Income tax included in the consolidated statement of profit or loss	**621**	**–3,692**

The Group has recognised deferred tax assets at a total of € 6.2 million (31 December 2019: € 3.8 million), which relate entirely to tax loss carryforward, representing a total amount of unused losses of approximately € 20 million (31 December 2019: approximately € 12.4 million). The entire receivable of € 6.2 million relates to tax loss carryforward in Germany. All unused tax losses in Germany are recognised on the balance sheet as at 31 December 2020. The relevant unused losses in Germany, generated by Neways Deutschland GmbH, can be carried forward in time indefinitely.

Furthermore, no deferred tax assets have been recognised on the balance sheet for unused losses that could potentially be carried forward in China, which amount to € 0.3 million (31 December 2019: € 0.6 million), as it is currently not yet likely that the Group will realise future taxable profits, against which it could utilise these deferred tax assets. The ability to carry these unused losses forward lapses after 5 years.

The company, together with the 100% participations established in the Netherlands, is part of a single 'fiscal unity' for corporate income tax. The company, together with these participations, is jointly and severally liable for all corporate income tax debts.
The effective tax rate, i.e. the ratio between total tax and the profit before corporate income tax, amounts to 13.7% (2019: 30.2%). The regions where the Group operates are the Netherlands, Germany, Slovakia, the Czech Republic, China and the United States, where

the following tax rates applied in 2020: the Netherlands 25%, Germany 30%, Slovakia 21%, Czech Republic 19%, China 25% and the United States 27%.

8. INVENTORIES

The provision included for inventory write-downs amounts to € 13.6 million (2019: € 10.3 million). The net change in the provision is € 3.3 million (2019: -/- € 0.8 million). A major part of the increase in the provision can be attributed to the loss of customers. The provision mainly relates to materials for products that are no longer manufactured and delivered and for which there is no longer any demand on the balance sheet date, but which are still held in stock and used occasionally. Inventories have been pledged to the lenders as security. For more information, refer to note 13.

9. TRADE AND OTHER RECEIVABLES

Amounts x € 1,000	2020	2019
Trade and other receivables	51,035	65,984
Related parties	5,499	4,919
Total	**56,534**	**70,903**

For the conditions relating to receivables due from related parties, refer to note 22.

The trade receivables do not include receivables with a remaining term in excess of one year. Trade receivables have been pledged to the lenders as security. Trade receivables are not interest-bearing and generally subject to a payment term of 30 to 90 days. As at 31 December 2020, trade receivables with a nominal value of € 1.4 million (2019: € 0.9 million) were subject to an impairment and a provision had been made for this. An individual provision is made for each receivable.

The changes in the provision for impairment of receivables are as follows (see note 25 for further information on credit risk):

Amounts x € 1,000	2020	2019
Balance as at 1 January	**942**	**918**
Expenses for the financial year	722	231
Write-downs	–52	0
Unused amounts reversed	–196	–207
Balance as at 31 December	**1,416**	**942**

The analysis of overdue but unimpaired receivables as at 31 December is as follows:

Amounts x € 1,000			Overdue but not subject to impairment				
	Total	Not overdue nor subject to impairment	< 30 days	30–60 days	60–90 days	90–120 days	> 120 days
2020	56,534	51,351	3,007	985	303	239	649
2019	70,903	57,806	8,198	1,124	492	1,587	1,696

10. CASH AND CASH EQUIVALENTS

The cash and cash equivalents are freely available during 2019 and 2020.

11. EQUITY

For details of the different equity components and the changes in equity between 31 December 2019 and 31 December 2020, please refer to the consolidated statement of changes in equity.

Capital

As at 31 December 2020, the authorised share capital amounted to € 15,000,000 (as at 31 December 2019: € 15,000,000), consisting of 30,000,000 ordinary shares with a nominal value of € 0.50 per share.

As at 31 December 2020, 12,174,037 of these ordinary shares had been issued and paid in full (31 December 2019: 12,149,534), resulting in a paid-up capital of € 6,087,019 (31 December 2019: € 6,074,767). The breakdown of the increase in the number of issued and fully paid-in ordinary shares during the 2019 and 2020 financial years is as follows:

Number x 1,000	Note	Ordinary shares issued and paid-in
1 January 2019		**11,958**
Issued in exchange for cash payment upon exercise of share options	16	63
Issued due to conversion of convertible subordinated borrowings		129
31 December 2019		**12,150**
Issued in exchange for cash payment upon exercise of share options	16	2
Issued due to final award of performance shares	16	22
31 December 2020		**12,174**

Share premium

The amounts contributed by shareholders in excess of the nominal share capital are recognised as share premium. This also includes additional capital contributions made by existing shareholders without any issue of shares, or issue of rights to subscribe for or acquire shares in the business. The share premium reserve includes an amount of € 389,000 as the share-based remuneration reserve.

Currency translation reserve

Currency translation reserve comprises both the translation differences arising from the translation of the financial statements of non-Dutch participations and the translation differences arising from the translation of permanently invested loans to non-Dutch participations that serve to finance these non-Dutch participations and for which no repayments are foreseen.

12. DIVIDEND PAID AND PROPOSED

On 5 March 2020, it was proposed that a dividend be paid on ordinary Neways shares for the 2019 financial year. This dividend would become payable as per 4 May 2020. Due to the COVID-19 pandemic, it was decided to revoke this dividend resolution on 16 April 2020. It is proposed that the net loss for the 2020 financial year be deducted from the retained earnings.

Amounts x € 1,000	2020	2019
Approved and paid during the year		
Dividend on ordinary shares:		
Final dividend for 2019: No dividend (2018: € 0.48)	0	5,815
Proposed for approval by the General Meeting of Shareholders		
Dividend on ordinary shares:		
Final dividend for 2020: No dividend (2019: € 0.28)	0	3,402

13. OTHER FINANCIAL LIABILITIES

Amounts x € 1,000	Effective interest rate	Maturity date	Outstanding amount 2020	Outstanding amount 2019
Short-term				
Bank credit facilities	Euribor + (1.3% – 2.2%)	11 Feb. 2023	4,587	36,545
Lease liabilities	(1.3% - 5.44%)	31 Dec. 2029	5,148	5,379
Total current interest-bearing borrowings			**9,735**	**41,924**
Long-term				
Lease liabilities	(1.3% - 5.44%)	31 Dec. 2029	25,674	29,519
Total long-term interest-bearing borrowings			**25,674**	**29,519**

Bank credit facilities

The credit facility available as at 31 December 2020 (overdraft and bank guarantee facility) amounted to a total of € 65 million (interest charge: 1-month Euribor + 1.3% to 2.2%, depending on the senior net debt/EBITDA ratio). On the balance sheet date, € 7.7 million of this amount was used for the bank overdraft and bank guarantees (31 December 2019: € 40.6 million). As security for the repayment of the debts to the financial institutions, a pledge has been established on business inventory, machinery, assets under construction, inventories, receivables (excluding contract assets) and on the rights under the credit insurance policy of the Dutch and German group companies. The total value of the pledge as at 31 December 2020 was approximately € 79 million. On behalf of the Company, all Dutch and German group companies have issued a joint and several liability statement in respect of the financial institutions.
Furthermore, the financial institutions require the guaranteed capital (adjusted for the net deferred tax assets and intangible fixed assets) as at 31 December 2020 to be at least € 55 million and an EBITDA, corrected for the allocation to the restructuring provisions in the financial year, of € 12.5 million or more.

More information about the bank covenants with financial institutions is provided in note 25.

Lease liabilities (1.3% - 5.44%)

This relates to the present value of the remaining lease instalments, discounted at the Group's incremental borrowing rate.

Fair value

The fair value for each financial instrument of the Group approximates the carrying amount. The fair value of cash and cash equivalents, trade receivables, other receivables, trade payables and other payables approximates the carrying amount, mainly due to their short terms to maturity. Bank overdrafts are payable on demand.

Hierarchy in fair values

The Group uses the following hierarchy when determining and reporting financial instruments, split out by valuation method.
Level 1: quoted (unadjusted) prices on active markets for identical assets or liabilities.
Level 2: other methods where all variables have a significant effect on the recognised fair value, and are directly or indirectly observable.
Level 3: methods where all variables are used that have a significant effect on the fair value measurement, but which are not based on observable market information.
During the 2019 and 2020 financial years, the Group did not make use of financial instruments measured at fair value.

In the case of recurring assets and liabilities recognised in the financial statements, the Group reassesses these at the end of each review period to determine whether there has been a change in classification within the hierarchy (based on the input at the lowest level with significance for the entire measurement). No transfers took place between Level 1 and Level 2 during the period under review.

14. PROVISIONS

In 2020, movements in the provisions item were as follows:

Amounts x € 1,000	Onerous contracts	Claims provision	Restructuring provision	Total
Balance as at 1 January 2020	**810**	**820**	**0**	**1,630**
Arising during the year	0	1,117	7,106	8,223
Utilised	–656	–231	0	–887
Released	0	–335	0	–335
Balance as at 31 December 2020	**154**	**1,371**	**7,106**	**8,631**
Current	154	1,371	7,106	8,631
Long-term	0	0	0	0

Onerous contracts

The provision for onerous contracts relates to expected losses on ongoing development projects and other onerous contracts.

Claims provision

The provision for claims relates to disputes in which the business is involved. The claims are expected to be settled by the end of 2021.

Restructuring provision

This provision was formed for the restructuring exercise relating to three operating companies. In the Netherlands, two operating companies are being restructured to better position the organisation for future growth. In Germany, production capacity is being structurally scaled down as a result of reduced demand from the Automotive sector due to the pandemic. Following the announcement of the plans, the Group recognised a provision for expected restructuring costs, including severance pay and consultancy fees. The restructuring exercises are expected to have been completed by mid–2021.

15. PENSIONS, EARLY RETIREMENT PLANS AND LONG-SERVICE BONUSES

Pension provisions

The Neways Group has pension plans for its employees in the Netherlands and for some of its employees in Germany.

The pension plan for the employees in the Netherlands has been placed with an industry-wide pension fund. This is a collective plan based on the career-average system and other legal entities participate in it. This plan is administered by '*Bedrijfstakpensioenfonds Metalektro*'. The participating businesses do not have any obligation to make good any shortfalls in this pension fund, and also have no claim to possible surpluses. For these reasons, this pension plan is treated as a contribution plan in the financial statements. At the end of 2020, the funding ratio of *Bedrijfstakpensioenfonds Metalektro* was 97.2% (2019: 98.7%). The funding ratio is lower than the funding ratio required under the recovery plan. The pension fund has an approved recovery plan, which aims to achieve recovery of the funding ratio through measures such as foregoing future indexation of pensions, scaling back pension payments, and increasing pension contributions. In the light of this, no additional contribution is required from the business.
A top-up pension plan, administered by Zwitserleven, applies to some employees in the Netherlands. This pension plan is classed as a contribution plan. There is no obligation to make good any shortfalls.

The pension plan for employees in Germany is a self-administered commitment that is classed as a defined-benefit plan (without plan assets). The pension plan is a final pay plan, where the amount of the benefit depends on the period of service and the salary on the retirement date.
The participants do not have to pay contributions into the pension plan. To guarantee future payment of accrued pension rights, the employer pays the statutory contributions to the pension benefits guarantee fund ('Pensionsversicherungsverein'), which takes over a company's outstanding pension obligations in the event of insolvency. The pension obligations are determined and recognised in accordance with IAS 19. The pension plan is exposed to interest-rate risk and changes in the life expectancy of the pensioners.

Early retirement plans

There is an early retirement plan for some of the employees in Germany. The early retirement benefits and contributions are recognised in accordance with IAS 19.

Provision for long-service bonuses

The employees in the Netherlands receive additional remuneration upon reaching a certain number of years of employment. The obligations relating to these long-service bonuses are recognised in accordance with IAS 19.

The changes in the present value of the liability for pensions, early retirement benefits and long-service bonuses during the financial year were as follows:

Amounts x € 1,000	Pension provisions		Early retirement provisions		Provision for long-service bonuses		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Balance as at 1 January	**4,410**	**4,031**	**33**	**27**	**983**	**901**	**5,426**	**4,959**
Costs allocated to the financial year	15	19	42	6	192	201	249	226
Interest expense	25	61	0	0	0	0	25	61
Amounts paid out	–196	–191	0	0	–117	–119	–313	–310
Employer contributions	–39	–42	0	0	0	0	–39	–42
Total	**–195**	**–153**	**42**	**6**	**75**	**82**	**–78**	**–65**
Revaluation of (profit)/losses included in other comprehensive income:								
Adjustments due to changes in the financial assumptions	281	540	0	0	0	0	281	540
Experience adjustments	–1	–8	0	0	0	0	–1	–8
Demographic adjustments	0	0	0	0	0	0	0	0
Total	**280**	**532**	**0**	**0**	**0**	**0**	**280**	532
Balance as at 31 December	**4,495**	**4,410**	**75**	**33**	**1,058**	**983**	**5,628**	**5,426**

The total expense in the consolidated statement of profit or loss and comprehensive income for the plans and arrangements relating to pensions, early retirement and long-service can be broken down as follows:

Amounts x € 1,000	Pension provisions		Early retirement plans		Provision for long-service bonuses		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Expenditure charged to the statement of profit or loss								
Costs allocated to the financial year	15	19	42	6	192	201	249	226
Interest expense	25	61	0	0	0	0	25	61
Subtotal in the statement of profit or loss	**40**	**80**	**42**	**6**	**192**	**201**	**274**	**287**
Revaluation of (profit)/losses included in other comprehensive income:								
Adjustments due to changes in the financial assumptions	281	540	0	0	0	0	281	540
Experience adjustments	–1	–8	0	0	0	0	–1	–8
Demographic adjustments	0	0	0	0	0	0	0	0
Total pension and long-service expenses	**320**	**612**	**42**	**6**	**192**	**201**	**554**	**819**

In 2021, the Group expects to contribute € 39,000 (2020: € 39,000) to the defined-benefit pension plans. The average term of the obligation under the defined-benefit pension plans as at 31 December 2020 amounted to 11.3 years (2019: 11.4 years). The adjustments due to changes in financial assumptions reflect a 0.5% reduction in the discount rate.

Key assumptions used in the actuarial calculations for the plans in respect of the pension obligations for the German employees:

	2020	2019
Discount rate	0.1%	0.6%
Future salary increases	0.0%	0.0%
Future pension increases	1.75%	1.75%
Estimated remaining life expectancy of pensioners (years)	11.3	11.4

Quantitative sensitivity analysis of the key assumptions used in the actuarial calculations for the German employee plans as at 31 December 2020:

Amounts x € 1,000	Discount rate		Future salary increases		Future pension increases		Life expectancy of pensioners	
Sensitivity	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	Increase of 1 year	Decrease of 1 year
Impact on the liability	–292	322	0	0	315	–290	350	–338

Key assumptions used in the actuarial calculations for the plans in respect of the long-service bonus obligations relating to the Dutch employees:

	2020	2019
Discount rate	0.1%	0.6%
Departure rate	42%	40%

Quantitative sensitivity analysis of the key assumptions used in the actuarial calculations for the Dutch employee plans as at 31 December 2020:

Amounts x € 1,000	Discount rate		Departure rate	
Sensitivity	0.5% increase	0.5% decrease	5% increase	5% decrease
Impact on the liability	–43	46	–91	91

The above sensitivity analyses have been prepared on the basis of extrapolation of the effect that reasonable changes in the key assumptions at the end of the reporting period will have on the defined-benefit pension obligation and the jubilee obligations. The expense in 2020 for the pension plan recognised as a defined-contribution plan for the employees in the Netherlands amounts to € 5,049,000 (2019: € 4,182,000). A slight increase in payments is expected in 2021.

16. SHARE-BASED PAYMENT AGREEMENTS

Up to 2017, Neways Group offered a share option plan for the members of the Board of Directors and a select group of key company officers who had been employed by Neways Group for at least one year prior to the year in which the options were granted. This plan has resulted in the allocation of non-transferable options on Neways shares. The options become vested three years after the grant date and may be exercised during a two-year period from that date, meaning that the total term is five years. The options may only be exercised by converting them into shares. If an option holder leaves the company, his/her option rights lapse.

During the financial year, 2,500 options were exercised. The fair value of the options granted before 31 December 2019 is € 249,492. The weighted average fair value per option is € 1.30. In total, an amount of € 11,975 has been recognised as an expense in the statement of profit or loss (2019: € 47,179). The average share price of shares in Neways in 2020 was € 7.66 (2019: € 11.65).

The table below shows the changes and the exercise price of the share options.

Option holders	Balance as at 31/12/2019	Lapsed 2020	Exercised 2020[1]	Balance as at 31/12/2020	Exercise price (in €)	Term
P.H.J. de Koning	15,000			15,000	11.71	04/2022
A.A.H. van Bragt	15,000	–15,000		0		
Former director						
H.W.T. van der Vrande[3]	125,000[2]			125,000		
	15,000	–15,000		0		
	15,000			15,000	7.10	04/2021
	15,000			15,000	11.71	04/2022
Other company officers employed by the business	12,500		–2,500	10,000	7.10	04/2021
	27,500			27,500	11.71	04/2022
Total	**240,000**	**–30,000**	**–2,500**	**207,500**		

1) The weighted average price on the dates when these options were exercised was € 7.82.
2) Options held by major shareholders.
3) Mr H.W.T van der Vrande stepped down from the Board of Directors with effect from 1 January 2020.

Following adoption by the General Meeting of Shareholders on 18 April 2017, the Group introduced a 'performance share plan' under which the members of the Board of Directors and a select group of key company officers are conditionally awarded performance shares in the company. Note 22 details the allocation per member of the Board of Directors and per key company officer.

Performance shares vest at the end of a three-year performance period, subject to (i) the achievement of predetermined financial targets that adequately reflect the Company's long-term strategy and (ii) the holder continuing to work as a member of the Board of Directors or, as applicable, as a key company officer ('participant'). The award percentage is determined on a linear basis between the minimum level (50% grant) and the maximum level (200% grant). If a participant leaves the company during the three-year performance period, any unvested performance shares for that participant will lapse. Prior to awarding, performance shares do not give the holder any rights on those shares, such as dividend or voting rights. Vested performance shares must be held by the participants for a period of two years from the date of vesting.

During the financial year, 21,076 performance shares (based on 100% achievement of target) were awarded (2019: 35,438). As at the reporting date, the expectation is that the predetermined financial targets for the shares conditionally granted in 2020 will not be achieved by the end of the three-year performance period. The total fair value of the performance shares granted during the financial year is therefore zero (2019: € 0). The fair value per performance share is € 5.09 (2019: € 12.06). In total, € 128,711 (2019: € 311,626) has been recognised as an expense in the statement of profit or loss.

The following table shows the changes in the number of outstanding performance shares upon achievement of the desired performance level.

Numbers	2020	2019
Balance as at 1 January	**104,712**	**63,432**
Awarded during the year	21,076	35,438
Lapsed during the year due to departure	–21,164	–3,485
Lapsed at the end of the financial year due to not vesting	0	0
Fully vested performance shares for 2017	–35,704	0
Awarded during the year based on vesting in the previous year	0	9,327
Balance as at 31 December	**68,920**	**104,712**

In respect to the performance shares issued in 2019 and 2020, the respective performance criteria were not met in 2019 and 2020, and the shares issued are therefore not expected to vest. However, as the Supervisory Board has the discretionary power required for nonetheless vesting shares up to the end of the performance periods, the performance shares issued continue to be noted in the table of outstanding performance shares.

The table below shows the assumptions used to calculate the fair value of the allocated performance shares in the financial year.

	2020	2019
Dividend yield (%)	6.69	4.98
Expected volatility of the share (%)	37.82	28.43
Risk-free interest rate (%)	–0.68	–0.54
Expected term of the performance shares (in years)	3.00	3.00
Expected to vest (%)	100.00	100.00

The Black & Scholes model was used to determine the fair value of the options and the performance shares on the grant date. The expected share volatility is based on the assumption that past volatility is indicative of the future trend. The expected term is based on historical data regarding lapsing of options and performance shares. Management believes that a possible change in one or more of the above assumptions would not cause the fair value of the share options or performance shares to differ materially from the calculated fair value.

17. TRADE AND OTHER PAYABLES

Amounts x € 1,000	2020	2019
Trade payables	44,262	62,161
Other payables	12,853	10,066
Personnel costs	8,302	9,152
Repayment obligation for NOW government grant	2,663	0
Interest payable	142	296
Related parties	498	1,185
Total	**68,720**	**82,860**

This item includes € 677,000 (31 December 2019: € 148,000) in non-current liabilities.

The following conditions apply to these financial liabilities:

- Trade payables are not interest-bearing and generally subject to a payment term of around 60 days.
- Other payables are not interest-bearing and subject to an average payment term of 6 months.
- The repayment obligation relating to the NOW government grant will be settled in the first quarter of 2021.
- The interest payable is normally settled quarterly during the financial year.
- For the conditions for related parties, refer to note 22.
- For an explanation of the credit risk policy within the Group, refer to note 25.

18. PERSONNEL COSTS

Amounts x € 1,000	Note	2020	2019
Wages and salaries		112,441	117,433
Pension costs		5,172	4,324
Other social security costs		16,833	16,391
Costs of share option and performance share plans	16	141	359
Total employee costs		**134,587**	**138,507**

The personnel costs included the following items in 2020:

- 'Kurzarbeit' government grant received for short-time working, amounting to € 4,290,000
- Restructuring costs amounting to € 6,930,000

During 2020, the Group employed an average of 2,705 people (2019: 2,940). This also includes temporary staff. In total, an average of 2,476 people were employed by Neways (2019: 2,561). Of the total workforce, an average of 1,653 people including temporary staff were employed by non-Dutch participations (2019: 1,786). The split by job role group was as follows:

Average number expressed in FTEs	2020	2019
General administrative	402	388
Engineering and development	471	476
Logistics	99	129
Production	1,514	1,711
Warehouse	219	236
Total	**2,705**	**2,940**

19. DEPRECIATION AND AMORTISATION

Amounts x € 1,000	2020	2019
Depreciation of property, plant and equipment	12,867	12,645
Amortisation of intangible fixed assets	1,621	1,810
Total amortisation and depreciation	**14,488**	**14,455**

20. FINANCE COSTS

Amounts x € 1,000	2020	2019
Interest on borrowings and bank overdrafts	989	1,851
Interest on lease liabilities	596	613
Other	486	474
Total finance costs	**2,071**	**2,938**

21. EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share are calculated by dividing the net profit attributable to holders of ordinary shares by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings per share

This represents net profit attributable to ordinary shareholders, adjusted for interest expense (net of tax) on the convertible subordinated borrowings (to the extent that the average share price during the financial year exceeds the conversion price), divided by the sum of the weighted average number of ordinary shares in issue during the year and the weighted average number of ordinary shares that would have been issued upon conversion into ordinary shares of all dilutive potential ordinary shares. In the case of negative earnings per share, the diluted earnings per share will show no improvement.

As at 31 December 2020, the diluted earnings per share were negative € 0.32 (2019: € 0.70). The table below shows the net profit and number of shares taken as the basis for calculating the basic and diluted earnings per share:

Number x 1,000	2020	2019
Net profit attributable to holders of ordinary shares for the purpose of calculating the diluted earnings per share	**–3,915**	**8,518**
Interest on convertible subordinated borrowings	0	28
Net profit attributable to holders of ordinary shares, adjusted for the effect of dilution	**–3,915**	**8,546**

Number x 1,000	2020	2019
Weighted average number of ordinary shares	12,165	12,097
Effect of dilution:		
Share options	25	49
Performance shares	56	63
Conversion value of subordinated borrowings	0	29
Adjusted weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share	**12,246**	**12,238**

No other transactions in ordinary shares or potential ordinary shares took place between the reporting date and the date on which these financial statements were prepared.

22. INFORMATION ABOUT RELATED PARTIES

The consolidated financial statements include the financial data of Neways Electronics International N.V. and its subsidiaries as listed in the table below:

		% participation	
	Domicile/country	2020	2019
Neways B.V.	Son, The Netherlands	100	100
Neways Industrial Systems B.V.	Son, The Netherlands	100	100
Neways Technologies B.V.	Son, The Netherlands	100	100
Neways Advanced Applications B.V.	Son, The Netherlands	100	100
Neways Micro Electronics B.V.	Echt, The Netherlands	100	100
Neways Cable & Wire Solutions B.V.	Echt, The Netherlands	100	100
Neways Leeuwarden B.V.	Leeuwarden, The Netherlands	100	100
Neways Deutschland GmbH	Riesa, Germany	100	100
Neways Neunkirchen GmbH	Neunkirchen, Germany	100	100
Neways Vertriebs GmbH	Neunkirchen, Germany	100	100
Neways Electronics Riesa GmbH & Co. KG	Riesa, Germany	100	100
Neways Technologies GmbH Erfurt	Erfurt, Germany	100	100
Neways Electronics Děčín s.r.o.	Děčín, Czech Republic	100	100
Neways Slovakia a.s.	Nová Dubnica, Slovakia	100	100
Neways Wuxi Electronics Co. Ltd.	Wuxi, China	100	100
Neways Electronics US Inc.	Wilmington, USA	100	100

The Group holds a minority interest in the following entity:

		% participation	
	Domicile/country	2020	2019
Qualifizierungszentrum Region Riesa GmbH	Riesa, Germany	5.26	5.26

The table below shows the total number of transactions with related parties for the financial year in question (for information about the outstanding balance as at 31 December 2020 and 2019, see notes 9 and 17):

Amounts x € 1,000		Sales to	Purchases/ services from	Owed by	Owed to
Entity with significant influence on the Group:					
VDL Groep	2020	29,131	3,590	5,499	498
VDL Groep	2019	23,188	4,594	4,479	1,185

Entity with significant influence on the Group

VDL Groep: As at 31 December 2020, VDL Beleggingen B.V. held 27.4 % of the issued shares in Neways Electronics International N.V. (31 December 2019: 27.4%).

Conditions governing transactions with related parties

The transactions with related parties take place subject to conditions that are equivalent to those that apply between independent parties. Outstanding balances at the end of the financial year are not secured by arm's length collateral, are not interest-bearing and are settled in cash.
No guarantees have been given or received for the receivables owed by, or the payables owed to the related parties. At the end of 2020, the Group did not recognise a provision for bad debts in connection with the receivables owed by related parties (2019: zero). This assessment is carried out each financial year based on an analysis of the related party's financial position and the market in which it operates.

Remuneration of Board of Directors members

A new remuneration policy came into effect from 16 April 2020.

The remuneration of the members of the Board of Directors comprises a basic salary component and an annual bonus. The Supervisory Board determines the remuneration annually, within the framework set by the remuneration policy. The basic salaries are not subject to any automatic pay rises under a collective agreement. Each year, the Supervisory Board determines a bonus arrangement for the reporting year. The bonus arrangement is linked to achievement of predetermined quantitative performance targets. The bonuses awarded are recognised in the relevant reporting year and are based on the performance targets achieved in the financial year. The bonuses are paid after the financial statements have been adopted.

Furthermore, the remuneration policy consists of a ‘performance share plan’ under which the members of the Board of Directors are conditionally awarded performance shares in the company each year. The number of performance shares that will vest at the end of a three-year performance period depends on the extent to which the target set for profit margin growth for that period is met. Note 16 provides more information about the ‘performance share plan’ and the number of performance shares that have been allocated.

Up to 2017, a share option plan was in place for the members of the Board of Directors. The value of the share options is based on the fair value of the share options allocated in the financial year. More information on the number of options to purchase shares allocated as a result of Board members' participation in the share option plan and the determination of the fair value of the options is provided in note 16.

The pensions of the members of the Board of Directors have been placed with the industry-wide pension fund administered by *Bedrijfstakpensioenfonds Metalektro*. This pension plan, which includes an early retirement component, is based on average salary.

The ratio between the remuneration of the members of the Board of Directors and the average remuneration of the other employees during 2020 was 8:1 (in 2019, this ratio was 9:1). This ratio is based on the average remuneration of € 330,000 paid to the members of the Board of Directors in 2020 (2019: € 430,000) as stated in the summary of remuneration paid to the members of the Board of Directors compared to the average remuneration of all employees in the operating companies in Western Europe, which is € 43,000 (2019: € 42,000). This average remuneration is based on the wages and salaries plus bonuses, options and performance shares of the employees in Western Europe, divided by the average number of employees in Western Europe.

The remuneration of the members of the Board of Directors and other key company officers is as follows (amounts x € 1,000):

2020	Basic salary	Pension charges	Social security costs	Bonuses	Long-term remuneration	Other*	Total
E.M. Stodel	330	38	14	33	0	41	456
P.H.J. de Koning	286	38	12	29	41	39	445
A.A.H. van Bragt	286	38	12	29	–41	38	362
Total remuneration of the Board of Directors	**902**	**114**	**38**	**91**	**0**	**118**	**1,263**
Former director							
H.W.T. van der Vrande					47		47
Other key company officers	**2,322**	**255**	**205**	**457**	**94**	**227**	**3,560**

2019	Basic salary	Pension charges	Social security costs	Bonuses	Long-term remuneration	Other*	Total
H.W.T. van der Vrande	327	37	13	66	77	54	574
P.H.J. de Koning	286	37	13	58	66	39	499
A.A.H. van Bragt	286	37	14	58	66	40	501
Total remuneration of the Board of Directors	**899**	**111**	**40**	**182**	**209**	**133**	**1,574**
Other key company officers	**2,239**	**222**	**223**	**394**	**144**	**228**	**3,450**

* The other remuneration includes a pension supplement and the comparative figures have been adjusted accordingly.

In the financial year, an amount of € 25,000 (2019: nil) in severance payments for other key company officers was included in the personnel costs.

The balance of the conditionally granted performance shares at the end of the financial year is as follows:

	2020	2019	2018		
	Number	Number	Number	Range of award	
E. M. Stodel	7,695	0	0	17/04/2020	
H. W. T. van der Vrande	0	6,696	7,478	23/04/2018	12/04/2019
P. H. J. de Koning	6,690	5,857	6,542	23/04/2018	17/04/2020
Total remuneration of the Board of Directors	**14,385**	12,553	14,020		
Other key company officers	**0**	14,388	13,574	23/04/2018	17/04/2020

The performance shares vest three years after they have been awarded, subject to the condition that the employee is still employed by Neways, or was employed by Neways at the time of the employee's retirement.

Remuneration of the Supervisory Board

The members of the Supervisory Board receive fixed remuneration that does not depend on the results. The members of the Supervisory Board received the following remuneration:

Amounts x € 1,000	2020	2019
H. Scheepers (chairman)	40	40
P. van Bommel	30	30
H. Büthker (from 16 April 2020)	23	0
K. de Jong (from 16 April 2020)	23	0
R. Penning de Vries (up to 16 April 2020)	8	30
Total	**124**	**100**

23. LEASES

Leases in which the company is the lessee (IFRS 16)

Rental contracts

The Group has leases for the majority of the buildings it uses. On average, these leases run for between 5 and 15 years, with an option to renew at the end of that period. Some leases include provisions for making annual adjustments to the rent based on price indexes.

Other leases

The Group has lease contracts for some of its operating assets. On average, these leases are for between 3 and 5 years.

Information about leases where the Group is the lessee are shown below.

Right-of-use assets

Right-of-use assets in respect of leased buildings and other operating assets are recognised as property, plant and equipment.

Amounts x € 1,000	Buildings and land	Plant and equipment	Total
Balance as at 1 January	**32,697**	**1,750**	**34,447**
Depreciation charge for the financial year	–4,322	–826	**–5,149**
Right-of-use asset additions	4,578	677	**5,255**
Balance as at 31 December 2019	**32,952**	**1,600**	**34,553**
Depreciation charge for the financial year	–4,489	–899	**–5,378**
Right-of-use asset additions	373	937	**1,309**
Disposals in right-of-use assets	0	–58	**–58**
Currency translation differences relating to right-of-use assets	–85	0	**–85**
Balance as at 31 December 2020	**28,751**	**1,591**	**30,342**

Financial lease liabilities

Lease liabilities are payable as follows:

Amounts x € 1,000	Present value of minimum lease payments	
	2020	2019
Less than 1 year	5,148	5,379
Between 1 and 5 years	17,666	17,526
More than 5 years	8,098	11,993
	30,912	**34,898**

Amounts recognised in the statement of profit or loss

Amounts x € 1,000	**2020**	2019
Interest on lease liabilities	597	614
Short-term lease costs and low-value assets	184	180

Amounts recognised in the cash flow statement

Amounts x € 1,000	**2020**	2019
Total cash flow for lease expenses	5,849	4,808

24. CONTINGENT EVENTS AND OBLIGATIONS

Guarantees

The Group has issued bank guarantees for an amount of € 3.1 million (2019: € 4.1 million) in respect of credit provided by non-Dutch banks.

Claims

As part of the normal course of business, the Group is occasionally involved in legal proceedings. The results are not expected to have a substantial impact on equity and profit.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

The Group's main financial liabilities are bank overdrafts and trade payables. The main purpose of these financial instruments is to provide finance for the Group's business activities. The Group has a range of financial assets, the principal financial instruments being trade receivables and cash and cash equivalents that arise directly from operating activities.

The main risks associated with the Group's financial instruments are market risks (interest rate risks on cash flows and currency risks), liquidity risks, and credit risks. The Group's management reviews and approves the policy for controlling these risks (see the summary below).

Impact of COVID-19

The outbreak of the COVID-19 pandemic and the measures taken by governments in various countries to counteract the spread of coronavirus impacted the Group's revenue and earnings in 2020. During the first half of the year, there was a drop in demand, particularly in the automotive sector, and a number of car manufacturers temporarily closed their production sites. This led the Group to implement various measures, such as reducing operating costs and additions, making use of government facilities such as the short-time working arrangement in Germany and strict monitoring of the working capital, particularly with regard to accounts receivable and inventories. Our contacts with suppliers and customers were also intensified in order to prepare them for possible disruptions in the supply chain and to respond to these challenges as effectively as possible within the supply chain.

The uncertain economic conditions that have arisen due to the COVID-19 pandemic have resulted in high volatility in the sectors in which the Group operates. The automotive sector has been most strongly affected. In order to adapt the organisation to the current lower level of orders and revenues in this sector, the production capacity in Germany will be structurally reduced. The Group created a provision for this in the financial year. The structural cost savings of these organisational changes will only become fully apparent in the results from 2022 onwards.
The uncertainties relating to the COVID-19 pandemic have not resulted in any identified conditions or events for the Group that would cause doubts about its ability to continue as a going concern. These financial statements have been prepared based on the assumption that the business will continue to trade as a going concern.

Market risk

The sensitivity analyses presented in the following sections are based on the assumption that the amount of net debt, the ratio between fixed and variable rate debt, and the proportion of derivatives denominated in foreign currencies remain constant.

The following assumptions were used when calculating the sensitivity analyses:

- The sensitivity relating to equity is based on the effect that the assumed changes in the US dollar exchange rate have on the participation in China.
- The sensitivity relating to the statement of profit or loss consists of the effect of the assumed changes in the relevant market risks, based on the financial assets and financial liabilities as at 31 December 2020 and 2019.

Interest rate risk

The Group's risk exposure due to fluctuations in market interest rates mainly relates to the Group's bank overdrafts. The Group's debts are associated with a variable interest rate, which is linked to the 1-month Euribor rate. For a summary of the interest rates, refer to note 13.

Interest rate risk table

The following table shows the sensitivity of the Group's profit after taxation (based on the effect of bank overdrafts) to a reasonable and possible change in interest rates, with all other variables assumed to be constant. This does not materially affect the Group's equity.

	Increase/decrease in basis points	Effect on profit before tax (x € 1,000)
2020	+15	–86
	–10	57
2019	+15	–170
	–10	114

Currency risk

The Group is exposed to currency risks on transactions. These risks relate to purchases or sales made by the business units in currencies other than the functional currency.
The Group's policy is to keep the purchase volume in currencies other than the functional currency at approximately the same level as the sales volume in the same currencies.
This is a continuous process throughout the year, which has the effect of mitigating the risk of a mismatch between incoming and outgoing foreign currency cash flows to the greatest possible extent.

Exchange rate sensitivity

The following table shows the sensitivity of the Group's profit after taxation (based on changes in the fair value of monetary assets and liabilities) and equity to a reasonably possible change in the US dollar exchange rate, assuming all other variables remain constant. The impact on the Group of exchange rate fluctuations in respect of all other currencies is not material.

	Change in USD exchange rate	Effect on result before tax (x € 1,000)	Effect on equity (x € 1,000)
2020	+10%	793	–107
	–10%	–970	135
2019	+10%	621	–111
	–10%	–759	135

The change in the effect after taxation results from the change in the fair value of the monetary assets and liabilities denominated in US dollars in view of the fact that the entity's functional currency is the euro. The change in equity results from changes in the US dollar-denominated participation in China.

Liquidity risk
The Group monitors its risk of a shortage of funds through frequent reviews of the bank balances and projected cash flows from the Group's operating activities. The table below shows the maturity dates of the Group's financial liabilities as at 31 December 2020, based on contractually agreed nominal payments.

As at 31 December 2020

Amounts x € 1,000	Due	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Lease liabilities and bank overdrafts	0	1,299	3,849	22,253	8,098	35,499
Trade and other payables	7,059	53,695	7,289	677	0	68,720
Total	**7,059**	**54,994**	**11,138**	**22,930**	**8,098**	**104,219**

As at 31 December 2019

Amounts x € 1,000	Due	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Lease liabilities and bank overdrafts	0	1,804	3,575	54,072	11,993	71,443
Trade and other payables	9,525	67,474	5,713	148	0	82,860
Total	**9,525**	**69,278**	**9,288**	**54,219**	**11,993**	**154,303**

The bank overdrafts have a term until the beginning of 2023 and are not payable to the bank on demand. Changes to these overdrafts are based on working capital requirements.

For a summary of the interest-bearing borrowings, refer to note 13.

Credit risk
The Group's policy is to subject all customers who wish to trade on credit terms to credit verification procedures. In addition, the outstanding balances are continuously monitored to ensure that the Group's exposure to bad-debt risks remains low. The Group also has credit insurance for a large part of its accounts receivable portfolio.

The maximum exposure to credit risk is the carrying amount stated in note 9. Fifteen of the Group's customers account for approximately 65% of the balance of outstanding trade receivables. However, because these receivables are largely insured or associated with short credit terms under supplier finance programmes, management feels that the risk exposure is not unusually high. Furthermore, no payment problems with these customers have occurred in the recent past. The Group's credit risk exposure in relation to the other financial assets, which consist of cash and cash equivalents, is limited to their carrying amount.

Capital management
The primary objective of the Group's capital management strategy is to maintain a good credit rating and healthy solvency to support the Group's activities and maximise shareholder value.

The Group manages its capital structure and adjusts it in response to changes in the economic climate. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, repay capital to shareholders, or issue new shares. In financial years 2020 and 2019, no changes were made to the objectives, policy or processes.

The Group monitors its capital based on the solvency ratio, i.e. the guaranteed capital adjusted for deferred tax assets and intangible assets, divided by the adjusted balance sheet total. The Group's policy is to maintain a solvency ratio of at least 35%.

Bank covenants
The current providers of bank overdrafts have set requirements for the Group's capital management. These covenants are specified in the credit agreements and are periodically monitored. The current credit agreement was agreed with the lenders in 2016 and renewed in early 2020 for a term of 1 year until early 2023, increasing the available credit facility to € 65 million. In early 2021, the credit agreement was again extended for a term of one year until the beginning of 2024.

The covenants include a minimum LTM EBITDA (earnings before interest, tax, amortisation and depreciation over the last 12 months) of € 12.5 million (excluding the effect of IFRS 15/16) and a minimum adjusted guaranteed capital of € 55 million as at 31 December 2020 and subsequent years. The lenders define the adjusted guaranteed capital as the issued and paid-in capital, plus reserves and loans subordinated to the banks (and possibly other parties), minus intangible fixed assets, deferred tax assets, associated participations and receivables from shareholders and/or management and shares held by the company in its own capital.

The interest payable on the credit facility is the 1-month Euribor + 1.3% to 2.2%, depending on the senior net debt/EBITDA ratio.

The corrected guaranteed capital as at 31 December 2020 amounted to € 92.9 million.
The Group exercises tight control over the working capital to improve solvency. If, and for as long as the corrected guaranteed capital is lower than the minimum amount of corrected guaranteed capital specified in the conditions, no profit distributions may be made in any form whatsoever. The LTM EBITDA, excluding the effect of IFRS 15/16, amounted to € 6.9 million as at 31 December. After adjustment for the addition to the restructuring provisions recognised in the financial year, the LTM EBITDA is € 16.5 million.
Failure to meet the minimum required amount of adjusted guaranteed capital and/or the LTM EBITDA results in the outstanding loans becoming immediately due and payable.
As at 31 December 2020, the Group complies with all the credit agreement covenants set by the financial institutions.

26. EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the balance sheet date that require reporting.

Company statement of financial position (before appropriation of result)

Assets x € 1,000 as at 31 December	Note	2020	2019
Fixed assets			
Intangible fixed assets	2	**734**	**734**
Financial fixed assets			
Participations in group companies	3	29,941	46,310
Receivables from group companies	3	40,947	41,447
		70,888	**87,757**
Current assets			
Receivables			
Receivables from group companies	4	5,674	37,231
Other receivables		390	0
		6,064	**37,231**
Cash and cash equivalents	6	**31,902**	**14,411**
Total assets		**109,588**	**140,133**

Liabilities x € 1,000 as at 31 December	Note	2020	2019
Equity	5		
Issued and paid-in capital		6,087	6,075
Share premium		45,913	46,313
Other reserves		50,376	41,237
Result for financial year		–3,915	8,518
Currency translation reserve		778	701
Other legal reserves		2,764	3,245
		102,003	**106,089**
Non-current liabilities			
Deferred tax liabilities		731	1,236
Current liabilities			
Bank overdrafts	7	3,972	13,631
Payables to group companies	8	0	16,951
Corporate income tax		2,737	1,727
Other payables		145	499
		6,854	**32,808**
Total equity and liabilities		**109,588**	**140,133**

Notes 1 to 15 are an integral part of these company financial statements.

For the portrait view of
the company balance sheet, click here.

Company statement of profit or loss

Amounts x € 1,000	Note	2020	2019
Operating income		0	0
Personnel costs	9	–148	–593
Other expenses		–204	–146
Operating result		**–352**	**–739**
Finance income		1,077	816
Finance costs		–393	–689
Net finance charges		**684**	**127**
Result from participations	10	–4,115	9,144
Result before tax		**–3,783**	**8,532**
Tax income/(expense)	11	–132	–14
Net result		**–3,915**	**8,518**

Notes 1 to 15 are an integral part of these company financial statements.

Notes to the company financial statements

1. GENERAL

These company financial statements and the consolidated financial statements together form the statutory financial statements of Neways Electronics International N.V. (hereinafter: 'the Company'). The financial information relating to the Company is included in the consolidated financial statements of the Company. The company financial statements of Neways Electronics International N.V. have been prepared based on Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek/BW).

The Company also avails itself of the option provided for in Book 2, Section 362(8) of the Dutch Civil Code when determining the accounting principles for measuring the assets and liabilities and profit or loss in its company financial statements. This means that the accounting principles for measuring the assets and liabilities and profit or loss (hereinafter referred to as the 'accounting principles') in the Company's company financial statements are the same as those applied to the consolidated EU-IFRS financial statements. These consolidated EU-IFRS financial statements have been prepared in accordance with the standards approved by the International Accounting Standards Board and adopted by the European Union (hereinafter 'EU-IFRS'). Refer to note 2 of the consolidated financial statements for a description of these accounting principles. All amounts in the company financial statements are presented in euros, unless stated otherwise.

Participations in group companies

Group companies are all entities in which the company directly or indirectly exerts dominant control. The company has dominant control over an entity when it is exposed to, or has rights to, variable revenue from its involvement in group companies and has the ability to influence such revenue through its control of the group company. Group companies are included in the consolidation scope from the date on which the Company obtains control and are removed from the consolidation scope from the date on which the Company ceases to control the group company.

The participations in which significant influence is exercised on the business and financial policy are valued using the equity method based on the net asset value. The accounting principles of the business are used to determine the net asset value. Results on transactions involving transfers of assets and liabilities between the business and its participations and between participations themselves are eliminated to the extent that these can be deemed not to have been realised.

Participations interests with a negative net asset value are valued at zero. However, where the business guarantees all or part of the debts of a participation, or has a constructive obligation (relative to its share) to enable the participation to pay its debts, a provision is formed for the amount of the business' projected payments on behalf of the participation.

The provision is charged primarily to the long-term receivables from the participation, which must be identified as an expansion of the net addition. The remainder is recognised under provisions.

The other assets and liabilities are measured in accordance with the accounting principles set out in the notes to the consolidated financial statements. The same applies to the method used to determine the profit or loss. As a result, Neways Electronics International N.V.'s equity and net profit/loss are the same as that stated in the consolidated financial statements.

Result from participations

The share in the profit or loss of businesses in which there is a participating interest is the Company's share in the profit or loss of these participations. Results on transactions involving transfers of assets and liabilities between the Company and its participations and between participations themselves are eliminated to the extent that these can be deemed not to have been realised.

The Company uses the option to eliminate expected credit losses on the carrying amount of loans and receivables owed to the Company by participations, instead of eliminating them at the level of the carrying amount of the participations based on the equity method/net asset value.

Other legal costs

A legal reserve has been formed for capitalised development costs and formation costs. This reserve is equal to their carrying amount at € 2.8 million (2019: € 3.2 million).

Taxation

The Company is the head of the fiscal unity. Corporate income tax is included for the part that the business would be liable to pay as an independent taxpayer, taking into account the allocation of the benefits of the fiscal unity. Netting within the fiscal unity between the Company and its subsidiaries takes place via the current account relationships.

2. INTANGIBLE FIXED ASSETS

This concerns the goodwill associated with the acquisition of the shares in Neways Slovakia a.s.

3. FINANCIAL FIXED ASSETS

Participations in group companies

The changes in the additions to group companies were as follows:

Amounts x € 1,000	2020	2019
Balance as at 1 January	**46,310**	**53,521**
Changes		
Result from participations after tax	–4,115	9,144
Other comprehensive income from participations after taxation	–196	–372
Dividends received from participations	–12,000	–16,000
Exchange differences	–58	17
	–16,369	**–7,211**
Balance as at 31 December	**29,941**	**46,310**

The list of equity interests of the Company has been included in note 22 to the consolidated financial statements.

Receivables from group companies

The development of the receivables from group companies item was as follows:

Amounts x € 1,000	2020	2019
Balance as at 1 January	**41,447**	**39,065**
Changes		
Additions	72	2,357
Repayments	–705	0
Exchange differences	133	25
	–500	**2,382**
Balance as at 31 December	**40,947**	**41,447**

Amounts x € 1,000	Interest rate	Outstanding amount 2020	Outstanding amount 2019
Loan to Neways Deutschland GmbH	2%	36,467	36,467
Loan to Neways Wuxi Electronics Co. Ltd.	1.75%	4,480	4,980
Total		**40,947**	**41,447**

Both loans are long-term and non-redeemable.

4. RECEIVABLES FROM GROUP COMPANIES

The receivables from group companies relate to receivables from participations in which the Group can exercise significant influence. These amounts (2019: zero) do not include receivables with a remaining term in excess of 1 year.

5. EQUITY

For details of the consolidated statement of changes in equity, refer to the notes to the consolidated statement of changes in equity. The other legal reserves relate to a reserve for capitalised development costs at a participation.

The development of the other equity items is as follows:

Amounts x € 1,000	Other reserves	Profit for financial year	Other legal reserves
Balance as at 1 January 2019	**32,513**	**14,431**	**3,725**
Profit appropriation	14,431	–14,431	
Profit for the financial year		8,518	
Other comprehensive income	–372		
Amortisation of development costs	480		–480
Dividends	–5,815		
Balance as at 31 December 2019	**41,237**	**8,518**	**3,245**
Profit appropriation	8,518	–8,518	
Loss for financial year		–3,915	
Other comprehensive income	–196		
Amortisation of development costs	481		–481
Issue of shares	336		
Balance as at 31 December 2020	**50,376**	**–3,915**	**2,764**

Proposed result appropriation in 2020

The Board of Directors, with the approval of the Supervisory Board, proposes to the General Meeting that the after-tax result for 2020 be appropriated as follows: the full amount will be deducted from the other reserves. No dividend was paid out for the 2019 financial year. For more information, refer to note 12 to the consolidated financial statements.

The business can only pay dividend to the shareholders and other entitled parties from profits eligible for distribution to the extent that its equity exceeds the amount of the paid-up and called-up part of the capital plus the reserves that have to be maintained by law or under the articles of association.

6. CASH AND CASH EQUIVALENTS

The recognised cash and cash equivalents are freely available. The credit facility available as at 31 December 2020 (overdraft and bank guarantee facility) amounted to a total of € 65 million (interest charge: Euribor + 1.3% to 2.2%, depending on the net debt/EBITDA ratio). Of this amount, € 7.7 million was used for the bank overdraft and bank guarantees on the balance sheet date (31 December 2019: € 40.6 million). As security for the repayment of the debts to the financial institutions, a pledge has been established on business inventory, machinery, assets under construction, inventories, receivables and on the rights under the credit insurance policy of the Dutch and German group companies.
The total value of the pledge as at 31 December 2020 was approximately € 79 million.
On behalf of the Company, all Dutch and German group companies have issued a joint and several liability statement in respect of the financial institutions. Furthermore, the financial institutions require the guaranteed capital (adjusted for the deferred tax assets and intangible fixed assets) as at 31 December 2020 to be at least € 55 million and an EBITDA, corrected for the allocation to the restructuring provisions in the financial year, of € 12.5 million or more. More information about the bank covenants with financial institutions is provided in note 25 to the consolidated financial statements.

7. BANK OVERDRAFTS

This concerns the use of the available credit facility. For more information, refer to note 6.

8. PAYABLES TO GROUP COMPANIES

The payables to group companies (2019: zero) do not include amounts with a remaining term in excess of 1 year.

9. PERSONNEL COSTS

The company does not have any employees. The personnel costs reflect the remuneration of the Supervisory Board and the costs of the share-based payment arrangements. For further details, refer to notes 16 and 22 to the consolidated financial statements.

10. RESULT FROM PARTICIPATIONS

The share in the profit or loss of businesses in which there is a participating interest is the Company's share in the profit or loss of these participations.

11. TAXATION

Taxation during the financial year amounted to 39.8% (2019: -/- 2.3%). The rate of taxation applicable in the Netherlands is 25%. Differences are caused by non-deductible costs for tax purposes and changes in deferred tax positions within the complete fiscal unity.

12. REMUNERATION OF THE BOARD OF DIRECTORS AND OF THE SUPERVISORY BOARD

With the exception of the share-based payment arrangements, the remuneration of the members of the Board of Directors is recognised in Neways B.V.

Refer to note 22 to the consolidated financial statements for the remuneration of the members of the Board of Directors and the Supervisory Board.

13. AUDITOR'S FEES

The following fees of KPMG Accountants N.V. have been charged to the business.

Amounts x € 1,000	KPMG Accountants N.V. 2020
Audit of the financial statements	318
Other audit engagements	0
Tax consultancy services	0
Other non-audit services	0

Amounts x € 1,000	KPMG Accountants N.V. 2019
Audit of the financial statements	428
Other audit engagements	0
Tax consultancy services	0
Other non-audit services	0

The fees stated in the table for auditing the 2020 financial statements (2019) relate to the total fees for auditing the 2020 financial statements (2019), regardless of whether the work had already been performed during the 2020 financial year (2019).

14. FINANCIAL INSTRUMENTS

Interest rate risk

The Company's risk exposure due to fluctuations in market interest rates mainly relates to the Company's bank overdrafts and variable-rate non-current liabilities. The Company's debts are associated with a variable interest rate, which is linked to the 1-month Euribor rate.

For other risks, refer to the consolidated financial statements, note 25.

15. OFF-BALANCE SHEET COMMITMENTS

The Company, together with the Dutch Group Companies, is part of a fiscal unity for corporate income tax and VAT. The company is jointly and severally liable for debts arising pursuant to these taxes.

Pursuant to Section 403 of Book 2 of the Dutch Civil Code, the Company has assumed liability for the debts arising from legal acts of the Dutch group companies. The Company has also assumed liability for debts arising from legal acts of the German participation, Neways Deutschland GmbH.

The Company has issued bank guarantees for an amount of € 1.5 million (2019: € 2.5 million) in respect of credit provided by non-Dutch banks.

Son, 25 February 2021

Supervisory Board
Henk Scheepers
Peter van Bommel
Hans Büthker
Karin de Jong

Board of Directors
Eric Stodel
Paul de Koning

Independent auditor's opinion

To: the General Meeting of Shareholders and the Supervisory Board of Neways Electronics International N.V.

Report on the audit of the financial statements 2020 included in the annual report

Our opinion
In our opinion:
- the accompanying consolidated financial statements give a true and fair view of the financial position of Neways Electronics International N.V. as at 31 December 2020 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the accompanying company financial statements give a true and fair view of the financial position of Neways Electronics International N.V. as at 31 December 2020 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited
We have audited the financial statements 2020 of Neways Electronics International N.V. (the company) based in Son. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:
1. the consolidated statement of financial position as at 31 December 2020;
2. the following consolidated statements for 2020: the statements of profit or loss and comprehensive income, cash flows and changes in equity; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
1. the company statement of financial position as at 31 December 2020;
2. the company statement of profit or loss for 2020; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.
We are independent of Neways Electronics International N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

Materiality
- Materiality of EUR 1.75 million - 0.4% of revenue

Group audit
- 88% of total assets - 92% of revenue

Key audit matters
- Correct cut-off of revenue recognition - Estimates with respect to the provision for obsolete inventory

Opinion
Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 1.75 million. The materiality is determined with reference to revenue (0.4%). In prior years, materiality was determined based on profit before tax. As a result of the volatility of profit before tax this has been changed. We consider revenue as the most appropriate and stable benchmark for determination of materiality. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 75 thousand which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Neways Electronics International N.V. is at the head of a group of components. The financial information of this group is included in the financial statements of the company.

Our group audit mainly focused on significant components. We, KPMG The Netherlands, have performed an audit of the full reporting package ourselves at Neways Advanced Applications B.V., Neways Industrial Systems B.V. and Neways B.V. We have performed an audit of the specific items inventories, revenue, cost of raw materials and consumables and personnel costs at Neways Cable & Wire Solutions B.V. and Neways Leeuwarden B.V. We made use of the work of local KPMG auditors in Germany for the audit of the complete reporting packages of Neways Electronics Riesa GmbH and Neways Neunkirchen GmbH.

As a result of the impact of the effects of COVID-19 on the company, we expanded our audit activities relating to goodwill impairment testing by involving specialists and we performed specific procedures with regard to the restructuring costs. This work was performed both by ourselves and by KPMG Germany.

We sent instructions to KPMG Germany and received reporting back from them. We have taken notice of their findings and with respect to both Neways Electronics Riesa GmbH and Neways Neunkirchen GmbH we have discussed these together with KPMG Germany with local management. Furthermore, due to the COVID-19 travel restrictions, we reviewed documentation of the audit activities by remotely accessing KPMG Germany's audit files.

Considering the significance and/ or the risk profile of the remaining components, we have performed analytical procedures on the balance sheet and profit and loss statement for these components at group level to confirm our assessment that the risk of a material misstatement at these components is remote.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

The audit coverage as stated in the section summary can be further specified as follows:

76% Audit of the complete reporting package	**Total assets**	7% Audit of specific items
80% Audit of the complete reporting package	**Revenue**	12% Audit of specific items

Our focus on the risk of fraud and non-compliance with laws and regulations

Our objectives

The objectives of our audit with respect to fraud and non-compliance with laws and regulations are:
With respect to fraud:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;

- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

With respect to non-compliance with laws and regulations:
- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain a high (but not absolute) level of assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the Board of Directors, with oversight by the Supervisory Board.

Our risk assessment

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the company and we inquired the Board of Directors and Supervisory Board as to whether the entity is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities.

The potential effect of the identified laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements, including taxation and financial reporting (including related company legislation). We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items and therefore no additional audit response is necessary.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an indirect effect: competition legislation, employment legislation, contract law and health and safety regulation.

In accordance with the auditing standard we evaluated the following fraud and non-compliance risks that are relevant to our audit, which also presumed risks:
- Correct cut-off of revenue recognition;
- Management override of controls.

We communicated the identified risks of fraud and non-compliance with laws and regulations throughout our team and remained alert to any indications of fraud and/or non-compliance throughout the audit. This included communication from the group to component audit teams of relevant risks of fraud and/or non-compliance with laws and regulations identified at group level.

In all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud. We refer to the key audit matters ‘Correct cut-off of revenue recognition’ for our approach related to the correct cut-off of revenue.

We communicated our risk assessment and audit response to the Board of Directors and the Supervisory Board. Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

Our response

We performed the following audit procedures (not limited) to respond to the assessed risks:
- We evaluated the design and the implementation of internal controls that mitigate fraud risks. In case of internal control deficiencies, where we considered there would be opportunity for fraud, we performed supplemental detailed risk-based testing.
- We performed data analysis of high-risk journal entries and evaluated key estimates, including valuation of inventories, and judgements for bias by the company, including retrospective reviews of prior year's estimates. No findings were identified based on these procedures.
- Assessment of matters reported on the ‘raise your voice’ procedure which is part of the Code of Conduct and the whistleblower policy.
- With respect to the risk of fraud correct cut-off of revenue recognition we refer to the key audit matters.
- We incorporated elements of unpredictability in our audit such as changes in scoping and an adjustment of the criteria for selecting high-risk journal entries.

- We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud or non-compliance. If so, we re-evaluated our assessment of relevant risks and its resulting impact on our audit procedures.
- We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements.

We do note that our audit is based on the procedures described in line with applicable auditing standards.

We do note that our audit is not primarily designed to detect fraud and non-compliance with laws and regulations and that management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud, including compliance with laws and regulations.

The more distant non-compliance with indirect laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Different from last year, the transition to IFRS 16 is not a key audit matter, as the implementation of IFRS 16 was completed in 2019.

Correct cut-off of revenue recognition

Description

The correct cut-off of revenues as disclosed in paragraph Revenue recognition in the basis of preparation of the financial statements for products made to order is not supported by the systems of the company. Since the correct cut-off is determined manually and as such can increase the risk of material misstatements to the financial statements due to error. This is also a presumed fraud risk and therefore significant to our audit.

Our response

We have performed substantive audit procedures to verify the correct application of EU-IFRS. We evaluated the reasonableness of management’s key judgements and estimates made in applying EU-IFRS, including selection of assumptions and data sources. We assessed the appropriateness of management’s revenue recognition under EU-IFRS for a sample of contracts. The accuracy and relevance of data was verified through involvement of our IT-specialists and through a sample.

Our observation

From our procedures on the correct cut-off of revenue at year-end based on EU-IFRS no revenue appeared to be recorded in the incorrect period.

Estimates with respect to the provision for obsolete inventory

Description
Significant inventories exist at specific group components. This results in an increased risk of obsolete inventories. Uncertainties are inherent to the assessment of the provision for obsolete inventories. Since this assessment requires judgement and considering the significance of the inventories for the financial statements, this was significant to our audit.

Our response
We have performed substantive audit procedures. We have performed a retrospective analysis to evaluate the historical accuracy of management's estimates, from which no significant differences appeared. We have reperformed the calculation of the provision for obsolete inventories prepared by management. We assessed the reliability of information used by management, which includes data such as historical usage and future use through involvement of our IT-specialists.
We evaluated the reasonableness of management's key judgements and estimates made in respect of the provision for obsolete inventories. In our assessment we have also taken into consideration our observations from meetings with management, observation during inventory counts and expectations of management for 2020.

Our observation
We assess the assumptions applied by management with respect to the provision for obsolete inventories to fall within a reasonable range.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information. Additionally, other information includes the remuneration report that will be published as a separate document.

Based on the following procedures performed, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting of Shareholders as auditor of Neways Electronics International N.V. on 16 April 2015, as of the audit for the year 2015 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of the Board of Directors and the Supervisory Board for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included at the website of the 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at: http://www.nba.nl/ENG_oob_01. This description forms part of our auditor's report.

Amstelveen, 25 February 2021

KPMG Accountants N.V.

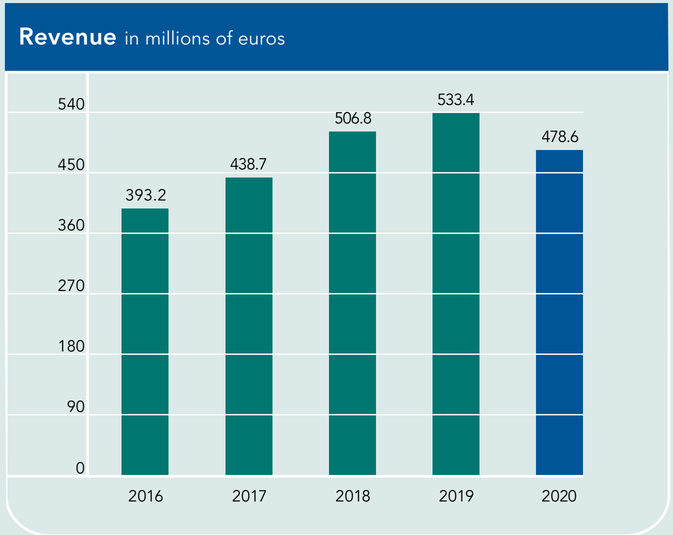
L.A. Ekkels RA

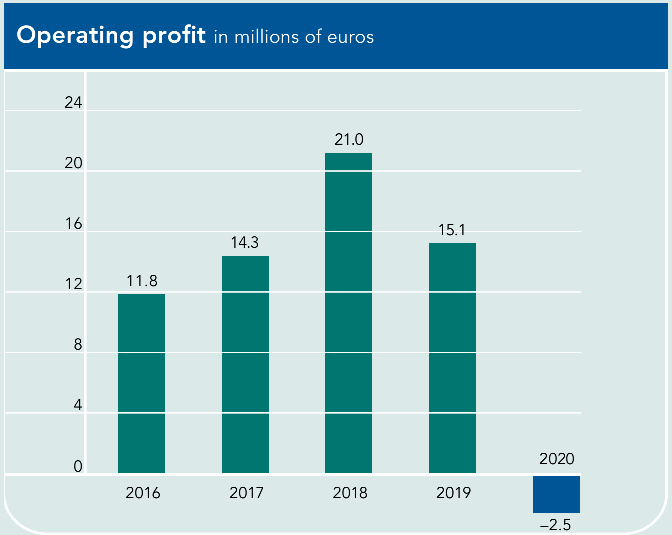
Trade register
The two-tier company is listed in the Commercial Register of the Chamber of Commerce for East Brabant (Kamer van Koophandel Oost Brabant) under number 17036989.

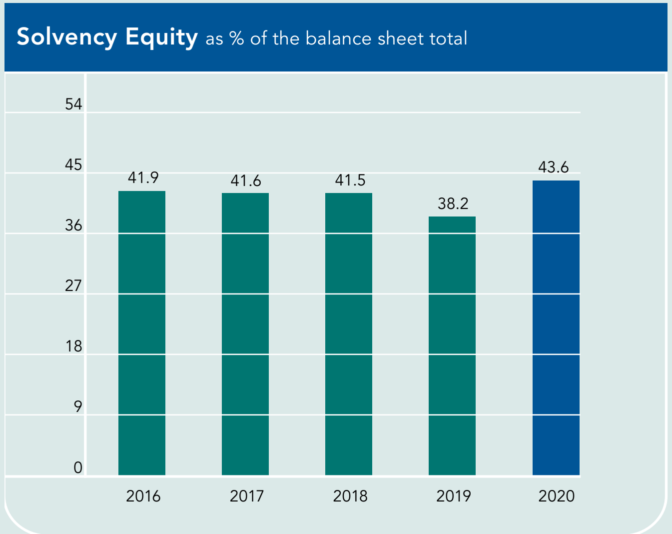
Provisions in the Articles of Association governing the appropriation of profit
Article 31 of the company's articles of association states that the company may only pay out distributable profit insofar as its equity exceeds the paid-up and called-up part of the capital plus the legal reserves. After gaining the prior approval of the Supervisory Board, the Board of Directors may add the profit to the reserves, in whole or in part. The profit not added to the reserves is placed at the disposal of the General Meeting of Shareholders.
Based on a proposal put forward by the Board of Directors and approved by the Supervisory Board, the General Meeting of Shareholders may resolve to distribute profit from a reserve available for profit distribution. The General Meeting of Shareholders may, pursuant to a proposal put forward by the Board of Directors and approved by the Supervisory Board, resolve to distribute profit in the form of shares in the company, without prejudice to the provisions of the company's articles of association regarding the issue of shares.

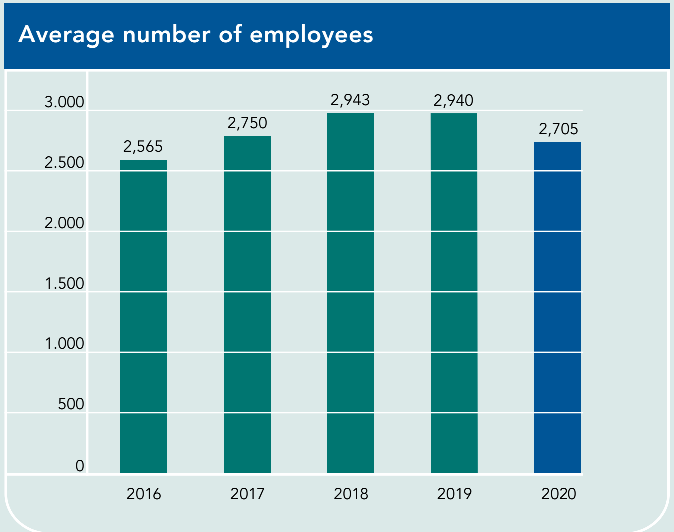
Proposed appropriation of profit
The statement of profit or loss indicates a net result of €–3,915,000 for 2020. It is proposed that the net loss be deducted from the retained earnings.

Key figures and five-year summary 2016 – 2020









Amounts in millions of euros, unless otherwise stated	2020	2019	2018*	2017	2016
Revenue	478.6	533.4	506.8	438.7	393.2
Gross margin	173.8	196.6	195.2	171.3	153.8
Operating result exclusive of exceptional income and costs	7.9	16.0	22.0	15.3	12.7
Operating result	–2.5	15.1	21.0	14.3	11.8
Net profit exclusive of exceptional income and costs	3.5	9.1	15.1	10.0	9.2
Net profit	–3.9	8.5	14.4	9.9	9.7
Net cash flow**	37.6	16.4	–4.5	–3.4	2.6
Equity	102.0	106.1	101.6	84.4	78.9
Guaranteed capital***	102.0	106.1	102.7	89.3	83.9
Balance sheet total	234.2	277.7	245.0	204.4	188.1
Capitalised goodwill	2.8	2.8	2.8	2.8	2.8
Interest coverage ratio****	3.8	5.4	11.2	10.2	6.8
Net Debt/EBITDA ratio****	1.5	2.2	1.4	1.6	1.5
Solvency ratio					
Equity as a % of the balance sheet total	43.6	38.2	41.5	41.6	41.9
Guaranteed capital as a % of the balance sheet total	43.6	38.2	41.9	44.0	44.6
Profitability ratios**					
Return on equity	2.9	8.6	14.9	11.8	11.7
Operating result as a % of revenue	1.5	3.0	4.3	3.5	3.2
Net profit as a % of revenue	0.6	1.7	3.0	2.3	2.3
Operating result as a % of invested capital	6.1	11.5	21.0	16.5	14.7

Amounts in millions of euros, unless otherwise stated	2020	2019	2018*	2017	2016
Figures per employee					
Average number of employees (FTEs)	2,705	2,940	2,943	2,750	2,565
Revenue per employee (x 1,000)	177	181	172	160	153
Gross margin per employee (x 1,000)	64.3	66.9	66.3	62.3	60.0
Figures per ordinary share, in euros (based on the number of shares at year-end)					
Net profit	–0.32	0.70	1.20	0.86	0.85
Net profit****	0.29	0.75	1.26	0.87	0.80
Equity	8.38	8.73	8.50	7.35	6.89
Net cash flow	3.08	1.35	–0.38	–0.30	0.23
Dividend	0.00	0.00	0.48	0.35	0.34
Dividend as a % of net profit	0.0	0.0	40.0	40.0	40.0
Number of shares at year-end x 1,000	12,174	12,150	11,958	11,481	11,459
Highest price	10.20	14.00	18.60	14.21	10.21
Lowest price	4.75	9.30	9.88	9.20	6.65
Price as at 31 December	8.00	9.96	10.10	13.65	9.28

* The Group initially adopted IFRS 16 with effect from 1 January 2019, using the modified retrospective approach, which means that the cumulative effect of the initial adoption of IFRS 16 has been recognised as an adjustment to the opening balance sheet, with no restatement of comparative information.

** Net cash flow means cash flow from operating activities, plus cash flow from investing activities.

*** Including subordinated borrowings.

**** Key indicators are based on the figures excluding exceptional income and costs.

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