



NEWAYS ELECTRONICS INTERNATIONAL N.V.

HALF YEAR REPORT 2014

Course of events in the first half year

Neways recorded net turnover of EUR 133.6 million in the first half of 2014, up 1.7% from the same period of 2013. Net profit came in at EUR 3.0 million in the first half of 2014, a significant improvement on the EUR 0.9 million reported for the same period of 2013.

Demand in the automotive industry remains strong, but demand in the semiconductor sector continues to be volatile. In the course of the second quarter, Neways saw a marked change in the development of turnover. The short-cyclical nature of the market translated into changes to customers' planning. This is also reflected in Neways' order book, which stood at EUR 60.8 million at the end of June 2014, compared with EUR 68.5 million at year-end 2013.

In April of this year, Neways announced the intended acquisition of BuS Group in Germany. The acquisition is a perfect fit with Neways' strategy and the German company's complementary customer portfolio ensures improved distribution across the market segments. BuS Group's customers are primarily active in the automotive industry, but also in industrial electronics, medical technology, railway and aviation. The results of BuS Group will be consolidated as from July 2014.

Operational developments

In the period under review, Neways completed the adjustment and optimisation of its production activities for NEK customers, following the closure of the NEK operating company. The relocation of production activities led to a more optimal capacity utilisation at a number of Neways operating companies.

Neways again continued to expand its development, prototyping and testing activities in the first half of 2014. The number of developers / engineers working at Neways increased in the first half of 2014 and stood at some 10% of the total Group workforce as per end-June 2014.

In April 2014, Neways announced the intended acquisition of BuS Group in Germany. Neways expects to actually complete the acquisition at the end of September. BuS Group supplies electronic solutions for the EMS market, offers high-end expertise in the field of technology and development, and is highly service oriented. The company's head office is located in Riesa (Germany). BuS Group has a total workforce of 900 employees, with 50 of these developers.

Neways expects to realise considerable synergy benefits with this acquisition. The strategies of both companies are an excellent fit and they have complementary customer bases, market segments and activities. A more balanced market sector distribution will also help Neways book more stable turnover and reduce fluctuations in results.

BuS Group adds new technological capacity and expertise, as well as the potential to share best practices across the Group in fields such as component and system development, process innovation and production and supply chain management. Neways also expects the combination to increase the Group's purchasing power and create potential purchasing synergies. The combination will also be able to benefit from Neways local presence and the existing (low-cost) production capacity in Asia, which will give BuS Group customers greater access to competitive and custom-made solutions.

Financial data

Gross margin as a percentage of turnover increased to 41.2% in the first half of 2014, compared with 39.7% in the first half of 2013. This improvement was largely due to the changed product mix.

Personnel expenses increased by 3% in the first half of 2014 to EUR 39.0 million, from EUR 38.0 million in the same period of 2013. The average number of FTEs dropped by 2% to 1,876 compared to the same comparable period of last year. This was partly due to the closure of Neways Electronics Production in Kassel, Germany (NEK) as a consequence of a fire at the operating company.

Neways' balance sheet ratios remain as strong as ever. Shareholders' equity increased by 5% to EUR 52.6 million (year-end 2013: EUR 50.1 million) due to the addition of the profit realised in the first half of 2014. As expected, Neways' balance sheet has become considerably shorter, due to the financial settlement of the closure of the operating company in Kassel. Solvency (shareholders equity / total equity) stood at 49.1% as per end-June 2014, compared with 41.5% as per year-end 2013 and 41.6% as per end-June 2013). Corrected for deferred taxes and goodwill, solvency came in at 47.1%, which is well above the minimum target of 35% set by Neways' banks.

The net cash flow came in at minus EUR 18.5 million, compared with a positive EUR 2.1 million in the first half of 2013. This was largely due to the sharp increase in working capital utilisation and the financial settlement of the closure of the operating company in Kassel. This led to a drop in the bank balance to EUR 3.2 million.

Risk factors and uncertainties with potential effect in the second half year 2014

This reporting system and the key risks identified are explained in the risk section of the 2013 annual report, on pages 68-72. The risks described also apply to the second half of 2014.

Outlook

After a strong first quarter, the second quarter of 2014 showed a marked change in turnover, driven by the high volatility typical of the EMS market. The highly cyclical nature of the market - translating into changes to customers' planning - in combination with an increase in deliveries according to the SMOI principle, is also clearly evident from the order book, which stood at EUR 60.8 million as per end-June 2014. At the end of 2013 the order book stood at EUR 68.5 million.

In view of the short horizon as a result of the highly dynamic EMS market, it is difficult to make reliable predictions for the full year. Neways expects customers to continue to adjust their planning upwards and downwards in the coming months.

Neways will continue to focus strongly on inventory reduction, cash flow management and increasing the flexibility of the organisation in the second half of 2014. The company will also be aiming for a further improvement in the turnover rate of its inventories.

In financial terms, Neways will remain in a healthy position for the full year 2014. The company's strong financial position will enable Neways to anticipate market developments and respond continuously to changing market sentiments.

In addition, Neways will be focusing on the completion of the acquisition of BuS Group and the subsequent controlled integration of the two organisations. The results of BuS Group will be consolidated as from July 2014. Earlier Neways announced BuS Groups' expectations to book turnover of around EUR 118 million for the full year 2014, with an EBIT margin of around 6%. Bus Group performed better than expected in the first half of the year.



Directors' statement regarding financial reporting

The Executive Board of Directors of Neways Electronics International N.V. confirm that to their knowledge that:

- the half year figures 2014 give a true and fair view of the assets, liabilities, financial position as of 30 June 2014 and the results of Neways Electronics International N.V. and the consolidated group companies in the first half year 2014;
- the half year report gives a true and fair review of the situation on 30 June 2014, the developments of Neways Electronics International N.V. during the first half year 2014, its related group companies which have been included in the consolidated half year figures and describes the significant risks and uncertainties with which the Company is confronted in the second half of 2014 and the most important transactions with related parties.

Son (the Netherlands), 27 August 2014

Vincent de Bok
CEO/CFO

Huib van der Vrande
CEO/COO

HALF YEAR RESULTS 2014
Consolidated Statement of Realised and Unrealised Results

| Amounts x €1,000 | First half year 2014 | First half year 2013 |
|---|-------------------------------------|-------------------------------------|
| Turnover | 133,595 | 131,428 |
| Change in work in progress and finished products | 574 | -112 |
| Costs of materials | -79,102 | -79,221 |
| Personnel costs | -38,947 | -37,998 |
| Depreciations | -1,605 | -1,947 |
| Other operating expenses | -10,300 | -14,533 |
| Operating result | 4,215 | -2,383 |
| Financing costs | -89 | -317 |
| Result before taxes | 4,126 | -2,700 |
| Taxes (4) | -1,089 | 816 |
| Net result attributable to holders of ordinary shares | 3,037 | -1,884 |
| Unrealised results | | |
| <i>To reclassify in the profit and loss account in following periods:</i> | | |
| Exchange rate differences foreign subsidiaries | -79 | 152 |
| Unrealised results after taxes | -79 | 152 |
| Total realised and unrealised results after taxes attributable to holders of ordinary shares | 2,958 | -1,732 |
| Result per share (in €) attributable to holders of ordinary shares: | | |
| - Net result | 0.30 | -0.19 |
| - Diluted net result | 0.30 | -0.19 |

HALF YEAR RESULTS 2014

| |
|-----------------------------------|
| Consolidated Balance Sheet |
|-----------------------------------|

| Amounts x €1,000 | 30/06/2014 | 31/12/2013 |
|--|----------------|----------------|
| Assets | | |
| Fixed assets | | |
| Tangible fixed assets | 13,529 | 13,157 |
| Intangible fixed assets (7) | 6,905 | 6,247 |
| Deferred tax assets (5) | 916 | 1,242 |
| | 21,350 | 20,646 |
| Current assets | | |
| Inventories | 51,017 | 47,413 |
| Accounts receivable and other receivables | 31,608 | 30,420 |
| Cash and cash equivalents | 3,179 | 22,143 |
| | 85,804 | 99,976 |
| Total assets | 107,154 | 120,622 |
| Equity and liabilities | | |
| Issued and paid-up capital | 4,993 | 4,972 |
| Share premium reserve | 30,267 | 30,120 |
| Retained earnings | 17,150 | 14,712 |
| Other equity components | 188 | 267 |
| Equity attributable to holders of ordinary shares | 52,598 | 50,071 |
| Long-term liabilities | | |
| Interest bearing loans (6) | 376 | 380 |
| Provisions (7) | 0 | 257 |
| Pension and anniversary commitments | 3,927 | 4,025 |
| Deferred tax liabilities | 1,052 | 1,052 |
| | 5,355 | 5,714 |
| Short-term liabilities | | |
| Bank overdrafts (6) | 0 | 0 |
| Interest bearing loans (6) | 104 | 263 |
| Trade creditors and other payables | 40,323 | 51,151 |
| Taxes and social security premiums | 6,876 | 5,900 |
| Corporate income tax (4) | 1,493 | 763 |
| Provisions (7) | 405 | 6,760 |
| | 49,201 | 64,837 |
| Total equity and liabilities | 107,154 | 120,622 |

HALF YEAR RESULTS 2014

| |
|---|
| Consolidated Cash Flow Statement |
|---|

| Amounts x €1,000 | First half year 2014 | First half year 2013 |
|--|-------------------------------------|-------------------------------------|
| Operational activities | | |
| Results before taxes | 4,126 | -2,700 |
| <i>Adjustments for:</i> | | |
| Depreciation of tangible fixed assets | 1,593 | 1,903 |
| Depreciation of intangible fixed assets | 12 | 44 |
| Costs granted staff options | 45 | 42 |
| Finance costs | 89 | 317 |
| Change in provisions and pension liabilities | -6,710 | 2,813 |
| Change in working capital *) | <u>-14,644</u> | <u>1,967</u> |
| | -15,489 | 4,386 |
| Other changes: | | |
| Interest paid | -189 | -215 |
| Paid corporate income taxes | <u>-32</u> | <u>-169</u> |
| Cash flow from operating activities | -15,710 | 4,002 |
| Investment activities | | |
| Investments in intangible fixed assets | -670 | -756 |
| Investments in tangible fixed assets | <u>-2,102</u> | <u>-1,227</u> |
| Cash flow from investing activities | -2,772 | -1,983 |
| Financing activities | | |
| Repayments of interest bearing loans | -163 | -195 |
| More (less) use of bank overdrafts | 0 | -2,171 |
| Dividends paid to shareholders | -599 | -119 |
| Returns from options exercised | <u>0</u> | <u>0</u> |
| Cash flow from financing activities | -762 | -2,485 |
| Change in cash and cash equivalents | -19,244 | -466 |
| Net exchange rate differences foreign currencies | 280 | 322 |
| Cash and cash equivalents as per 1 January | <u>22,143</u> | <u>407</u> |
| Cash and cash equivalents as per 30 June | 3,179 | 263 |
| *) Changes in working capital | | |
| Inventories | -3,604 | -2,018 |
| Receivables | -1,188 | -6,078 |
| Trade creditors and other payables | -10,828 | 9,315 |
| Taxes and social security premiums | <u>976</u> | <u>748</u> |
| | -14,644 | 1,967 |

HALF YEAR RESULTS 2014
Consolidated Statement of Changes in Group Equity

| Amounts x €1,000 | Issued and paid up capital | Share premium reserve | Retained earnings | Exchange rate differences reserve | Equity attributable to holders of ordinary shares |
|---------------------------------------|-------------------------------------|-----------------------------|----------------------|--|--|
| Balance as per 1 January 2013 | 4,971 | 30,031 | 12,791 | 316 | 48,109 |
| Result for the period | | | -1,884 | | -1,884 |
| Unrealised results | | | 0 | 152 | 152 |
| <hr/> | | | | | |
| Total realised and unrealised results | 0 | 0 | -1,884 | 152 | -1,732 |
| Issuance of share options | | 42 | | | 42 |
| Dividends (9) | | | -119 | | -119 |
| <hr/> | | | | | |
| Balance as per 30 June 2013 | 4,971 | 30,073 | 10,788 | 468 | 46,300 |
| Balance as per 1 January 2014 | 4,972 | 30,120 | 14,712 | 267 | 50,071 |
| Result for the period | | | 3,037 | | 3,037 |
| Unrealised results | | | 0 | -79 | -79 |
| <hr/> | | | | | |
| Total realised and unrealised results | 0 | 0 | 3,037 | -79 | 2,958 |
| Exercise share options | 21 | 102 | | | 123 |
| Issuance share options | | 45 | | | 45 |
| Dividends (9) | | | -599 | | -599 |
| <hr/> | | | | | |
| Balance as per 30 June 2014 | 4,993 | 30,267 | 17,150 | 188 | 52,598 |

Notes to the consolidated first half year results 2014

1. Group-related information

The Supervisory Board approved the results for the first half year to 30 June 2014 on 25 August 2014.

Neways Electronics International N.V. is a company founded and with its head offices in the Netherlands and the shares in said company are traded publicly. Neways Electronics International N.V. and its subsidiaries together form the Group. The Group is an international one-stop provider of advanced and integrated electronic components, combinations of same and systems for the industrial electronics sector.

2. Accounting policies used in drawing up the interim results

The consolidated interim figures have been drawn up on the basis of the International Financial Reporting Standards (IFRS) and in accordance with IAS 34 (interim reporting). The consolidated interim results should be viewed in conjunction with the Group financial statements for 2013. The policies applied in the valuation and determination of the results are the same as those used in the financial statements for 2013, with the exception of the first application of new and amended IFRS standards and IFRIC interpretations. The application of said revised standards and interpretations had no impact on the Group's shareholders equity or results.

The contents of this interim report have not been audited.

3. Business segments

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

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

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

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

4. Taxes

The tax burden in 2014 consists for the most part of corporate tax due on the fiscal profit realised in the Netherlands, at the current tax rate of 25%. Due to the application of other tax rates at foreign subsidiaries, the total tax burden was slightly higher than 25%

The tax burden in 2013 consisted for the most part of a tax rebate ensuing from fiscal losses booked in the Netherlands, which could be set off against fiscal profits from 2011 and 2012.

In 2013, Neways reached an agreement with the Dutch tax office with respect to the innovation tax incentive (innovation box). Profits that can be recognised in the innovation box are taxed at a rate of 5%. The application of this from 2010 onwards resulted in a tax gain, which has been recognised in the 2013 reporting period. Because of this, the total tax gain in the 2013 period was higher than the Dutch corporate tax rate of 25%.

5. Goodwill impairment test

Neways conducts impairment tests on its goodwill annually (as per 31 December), or more frequently if any events or changes in circumstances indicate that the carrying value may have suffered impairment. The recoverable value of goodwill is determined on the basis of the enterprise value. The assumptions made in the calculation of the value of the future cash flows of any cash flow generating unit are outlined in the 2013 financial statements.

When assessing impairment indicators, the Group takes into account such factors as the ratio of its stock market capitalisation to its carrying value. As per 30 June 2014, the Group's stock market capitalisation was higher than the carrying value of its shareholders equity.

6. Financial liabilities

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

7. Provisions

In the first half of 2014, Neways took up €6.5 million of the provision of €6.7 million set aside as per 31 December 2013 for the redundancy packages of the personnel at the Kassel location. The reorganisation had been fully completed as per 30 June 2014.

In the first quarter of 2013, Neways set aside a reorganisation provision of € 3.7 million for the closure and relocation of production activities from the Echt location. The plan was drawn up and employees in Echt were notified in 2013. A total of €0.8 million of the above provision was used in the first half of 2013, leaving a balance of € 2.9 million as per 30 June 2013. The reorganisation was fully completed in early 2014.

8. Transactions with related parties

The table below shows the total amount in transactions with related parties for the first half of 2014 and 2013:

| Amounts x € 1,000 | | Sales to | Purchases/services from | Due from | Due to |
|---|------|-----------------|--------------------------------|-----------------|---------------|
| Entity with significant influence on the Group: | | | | | |
| VDL Groep | 2014 | 5,185 | 1,684 | 2,042 | 530 |
| | 2013 | 3,964 | 2,486 | 2,143 | 1,311 |
| ZBG Groep | 2014 | | 0 | | |
| | 2013 | | 284 | | |
| Key Group personnel: | | | | | |
| | 2014 | | 151 | | |
| | 2013 | | 150 | | |

ZBG Groep: In the first half of 2014, the Group paid out € 1.4 million to ZBG to buy out the lease agreement for the former premises in Kassel.

Transactions with key personnel: The loan of € 1.1 million extended to the members of the Executive Board of Directors recognised in the financial statements as per 31 December 2013 was paid off in full in April 2014.

9. Dividend paid

| Amounts x € 1,000 | 30 June | |
|--|----------------|-------------|
| | 2014 | 2013 |
| Determined and paid out in the first half | | |
| Dividend on ordinary shares: | | |
| Final dividend 2013: € 0.06 (2012: € 0.012) | 599 | 119 |

10. Post balance sheet date events

On 11 July 2014, the company signed an agreement for the acquisition of all shares in BuS Holding GmbH in Riesa, Germany (BuS Groep). BuS Groep has approximately 900 employees and estimated turnover of € 118 million in 2014. Neways will finance the acquisition with a combination of its own and borrowed capital. The BuS Groep figures will be consolidated from July 2014 and will contribute to earnings per share as from that date.