



Annual Report 2012

Dare to do!

Dare to do!

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This annual report is a translation of the Dutch annual report. In cases where textual inconsistencies between the Dutch and the English versions occur, the Dutch version will prevail.



Foreword by the Board of Directors

To our shareholders, employees, customers, partners and other stakeholders

Dear Reader,

The year 2012 was a turbulent one which provided confirmation that the Electronic Manufacturing Services (EMS) market has undergone structural change. We are confronted with a new reality. Throughout the year we experienced sharper fluctuations in customer demand and increasing complexity of this demand. For Newways this is reflected in more adjustments to our short-term planning, both upward and downward, and more combined development and production orders, with major customers being served by various operating companies right across the Group.

We want to be a partner who not only engages with our customers but also anticipates rapidly changing market conditions. The increased dynamism of the market once again made considerable demands on the flexibility of the organisation and our employees in 2012. Not only flexibility, but also innovativeness, quality, delivery reliability, service level and cooperation are competencies that will continue to grow in importance. These are the success factors that will again distinguish us as a niche player in manufacturing industry in the coming years.

For Neways, 2012 was a difficult year, ultimately with disappointing earnings. In spite of all the pressure, however, we again took steps together in the right direction. We further expanded our development activities, both organically and by taking over the IACS business (approximately 10 developers, assets and some new customers for Neways), and increasingly often we see that we are involved at an early stage in the development of new products. This and other initiatives have helped us to raise Neways's profile as a one-stop-provider, as a preferred partner and as a first-tier partner of Original Equipment Manufacturers (OEMs). We wish to thank our employees for their commitment, enthusiasm and perseverance.

Our financial position is sound and enables us even in the present difficult economic climate to continue to invest and to work, step by step, on fulfilling our strategy. We look forward to 2013 with confidence, therefore.

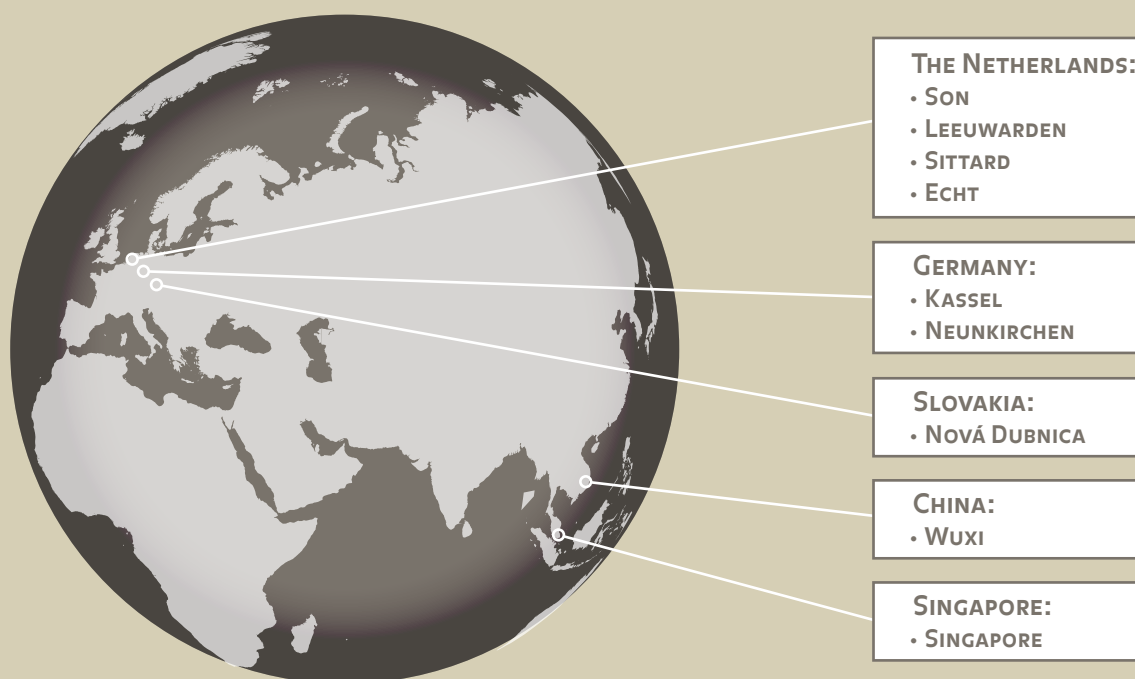
Vincent de Bok

Huub van der Vrande

Company profile

Neways Electronics International N.V. (NYSE Euronext Amsterdam; NEWAY) is an international one-stop-provider of advanced integrated electronic components, assemblies and systems, offering solutions for the development, engineering, testing and manufacture of small to medium-sized high-tech and high-quality batches of (micro-) electronics, printed circuit boards (PCBs) and cables into complete electronic 'box-build' systems.

Neways worldwide



Neways is active in the Electronic Manufacturing Services (EMS) market. Its major customers are multinational Original Equipment Manufacturers (OEMs), such as Philips and ASML, while it also serves a wide range of smaller industrial suppliers for finished products in various market sectors. The Company's solutions are used in sectors such as the industrial sector, the automotive sector, the semiconductor industry and the medical sector, as well as in the defence and telecommunications industries. They often involve control and operating systems, sub-systems or specific electronic components for such systems.

Support activities such as service & maintenance and re-engineering enable the Company to undertake the complete life cycle management of electronic components and systems for its customers. Neways can meet customers' technical needs, as well as meeting their logistical requirements and wishes in relation to these systems. In this way Neways is able to take on the whole supply chain management, including complete development, prototyping and engineering projects up to and including first-off batches, as well as broader one-stop-provider projects in which more than one operating company within the Neways Group each contributes its own specific competency.

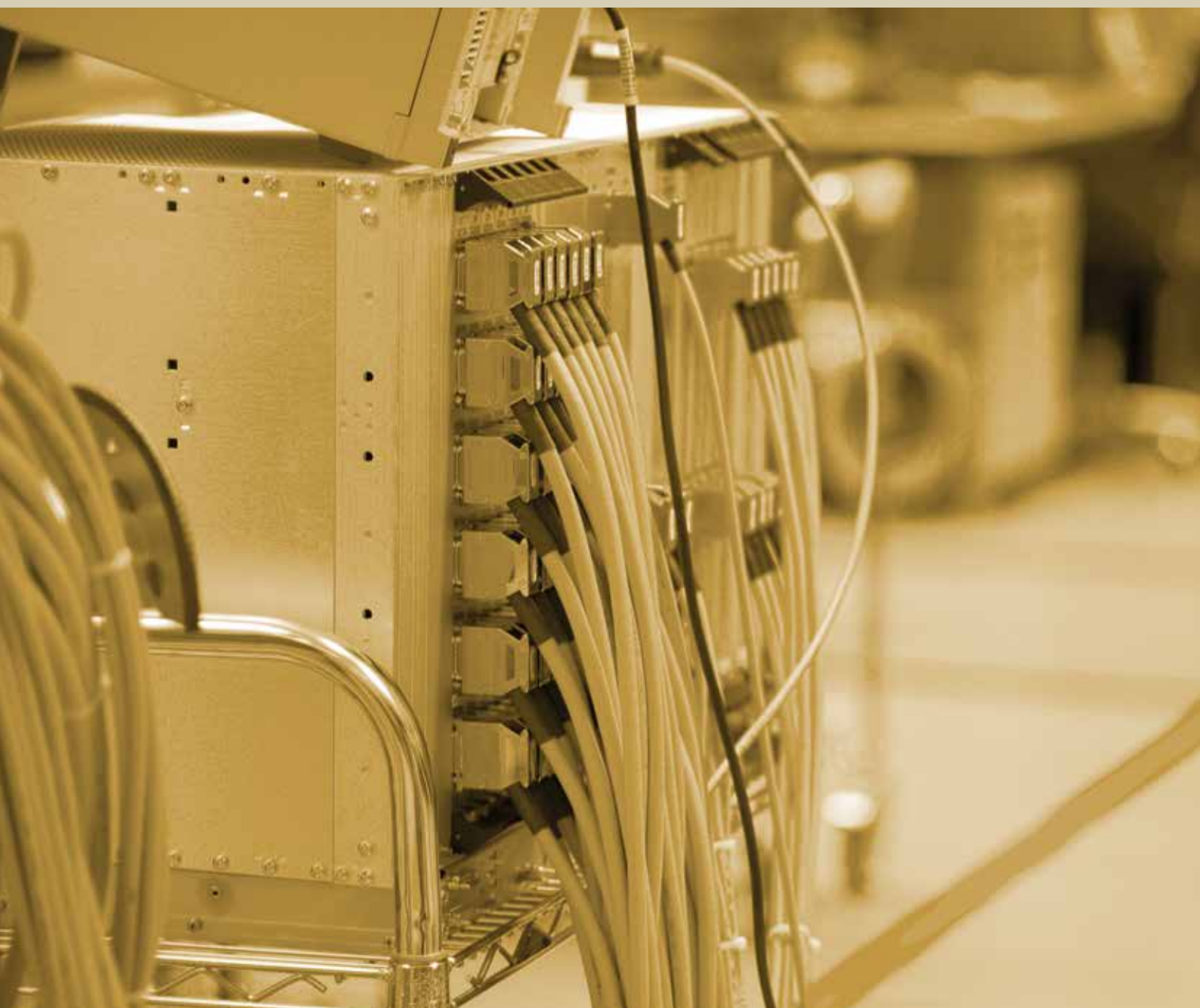
Neways posted turnover of € 274.3 million in 2012 (2011: € 283.9 million). Customers in the Netherlands accounted for 55% of this turnover, customers in other EU countries for 38%, and customers in countries outside the EU for 7%. At the end of 2012, Neways had a total of 1,945 employees (2011: 2,082), of whom 1,289 in the Netherlands and Germany and 656 in Slovakia and China.

The Neways head office is situated at the Science Park Eindhoven in Son (Netherlands). Neways is part of the "Brainport" region, a large cluster of innovative, high-tech companies based in and around Eindhoven, in which the local council, industry, the University of Technology and other institutions of higher education work closely together.

The Company has 13 operating companies in the Netherlands, Germany, Slovakia and China, and a sales and service office in Singapore. To be able to offer the highest possible added value, the operating companies in Western Europe work in the closest possible proximity to, and as closely as possible with, their customers.

The Neways operating companies in Slovakia and China focus mainly on the manufacture of larger, more stable batches, often on behalf of, and in close cooperation with, their sister companies in Western Europe. The expansion of capacity in Eastern Europe and Asia is enabling Neways to produce at a lower cost and hence further improve its competitiveness. Furthermore, these operating companies are increasingly delivering direct and locally to Eastern European or Asian facilities of large OEMs. The sales and service organisation in Singapore engages in active marketing, focusing both on existing and on potential Neways customers in the Asia region.

Key figures



KEY FIGURES

Amounts x 1 million euros unless otherwise stated

	2012	2011	2010	2009	2008
Turnover	274.3	283.9	254.5	188.4	242.8
Gross margin	109.2	114.9	103.9	77.4	99.5
Operating result excl. special income and expenses	2.4	8.8	8.4	-4.0	5.9
Operating result	2.4	7.4	8.4	-5.5	1.4
Net result excl. special income and expenses	0.4	5.2	5.1	-4.6	3.1
Net result	-0.4	3.8	5.1	-5.7	-0.5
Net cash flow *)	-2.9	1.9	6.4	-1.8	6.5
Shareholders' equity	48.7	49.6	46.2	40.5	46.2
Guaranteed capital **)	48.7	49.6	46.2	40.5	46.2
Balance sheet total	102.5	114.0	109.6	91.6	102.1
Capitalised goodwill	2.8	2.8	0.8	0.8	0.8
Interest coverage ratio***)	3.2	11.1	12.8	-	3.4
Debt/EBITDA ratio ***)	1.1	0.3	0.4	16.3	0.9
Solvency					
Shareholders' equity as % of balance sheet total	47.4	43.5	42.2	44.2	45.3
Guaranteed capital as % balance sheet total	47.4	43.5	42.2	44.2	45.3
Profitability ratios ***)					
Return on shareholders' equity	0.8	10.6	11.0	-11.4	6.6
Operating result as % of turnover	0.9	3.1	3.3	-2.1	2.4
Net result as % of turnover	0.1	1.8	2.0	-2.4	1.3
Operating result as % of capital invested	4.4	16.5	17.0	-9.5	12.0
Data per employee					
Number of employees (FTE)	2,052	2,170	2,027	1,783	2,168
Turnover per employee (x 1,000)	134	131	126	106	112
Gross margin per employee (x 1,000)	53	53	51	43	46
Data per ordinary share in euros (based on number of shares at year-end)					
Net result	-0.04	0.39	0.53	-0.59	-0.05
Net result ***)	0.04	0.53	0.53	-0.48	0.32
Shareholders' equity	4.90	5.04	4.77	4.20	4.79
Net cash flow	-0.29	0.19	0.66	-0.19	0.67
Dividend	0.01	0.12	0.16	0.00	0.00
Dividend as % of net profit (2012: excl. write-down of the deferred tax asset in Germany)	30.0	30.0	30.0	0.00	0.00
Number of shares at year-end x 1,000	9,943	9,834	9,685	9,644	9,644
Highest share price	6.65	9.68	9.30	6.95	12.95
Lowest share price	4.33	4.89	5.91	2.30	3.75
Closing price on 31 December	4.67	5.40	8.86	6.34	5.00

*) Net cash flow is understood to mean cash flow from operating activities plus cash flow from investment activities.

**) Including subordinated loans from lending institutions.

***) Indicators are based on figures not taking account of special income and expenses.

Business model

WESTERN EUROPE

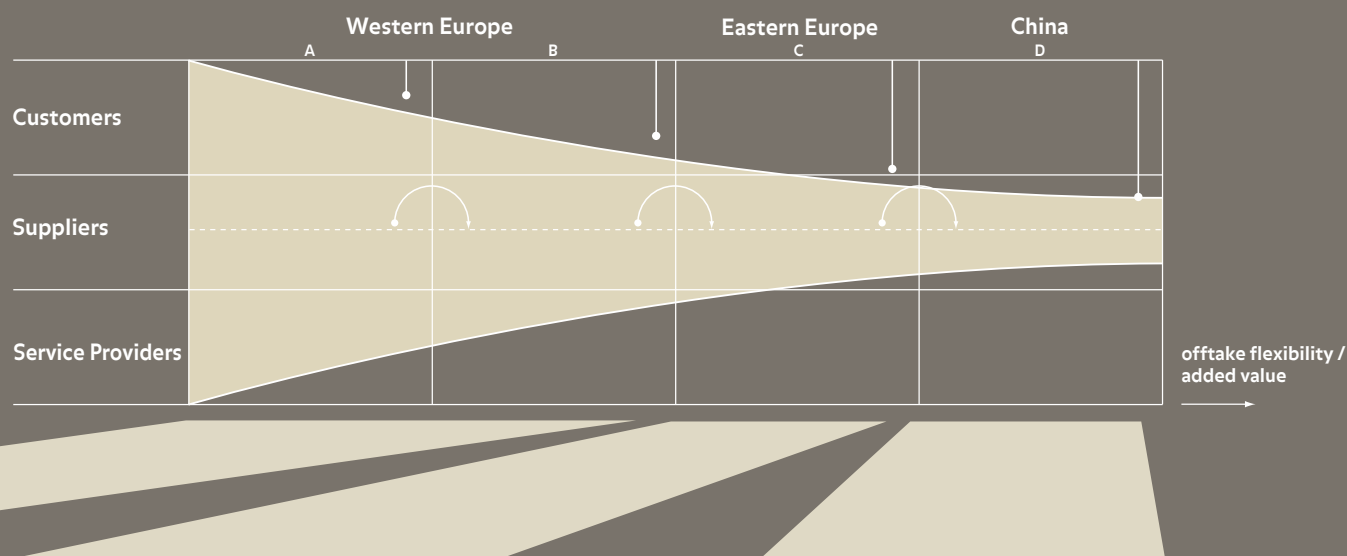
Added value	High
Degree of re-engineering	Frequent
Batch volume	Low-mid
Batch complexity	High
Degree of automation	High
Logistical planning	Complex / Short delivery times
Sales market	Western Europe

Neways has 9 operating companies in important industrial, technological regions of the Netherlands and Germany. The activities of these operating companies are characterised by a relatively strong knowledge component. The Western European operating companies perform an important role in putting into practice Neways's strategy of performing the role of one-stop provider. Both geographically and in terms of customer relations, the operating companies are in close proximity to large customers in manufacturing industry. Most of the operating companies are based in industrial and technological regions close to these multinational customers.

The activities of the operating companies in Western Europe range from development, prototyping and engineering to high-grade, specialised batch production of complex electronic components, systems assembly, after-sales service and maintenance. The components and systems are often characterised by relatively complex scheduling and short delivery times, involving a high degree of flexibility.

The various Neways operating companies cooperate intensively on an ongoing basis to launch new initiatives with regard to quality and innovation, with the continual striving for optimum cooperation resulting in significant efficiency benefits.

At year-end 2012 Neways employed a total of 1,289 people in Western Europe.



EASTERN EUROPE

Added value	Mid
Degree of re-engineering	Less frequent
Batch volume	Mid-high
Batch complexity	Mid
Degree of automation	Mid
Logistical planning	Less complex
Sales market	Western Europe

In Slovakia, Neways has 2 operating companies engaged in batch production of electronic components and systems that have been fully developed and are therefore sufficiently stable to be suitable for production in countries where Neways is able to realise significant cost benefits. This mainly involves electronics assembly of printed circuit boards (PCBs) and the production of cables and cable systems, largely on behalf of the Neways operating companies in Western Europe.

The production facilities in Slovakia are modern and meet customers' growing quality requirements. The investments of the past few years have created the basis for future growth and for the expansion of activities and areas of expertise in the region. The working relationship with the Neways operating companies in Western Europe can be further expanded by these investments, both quantitatively and qualitatively.

At year-end 2012 Neways employed 387 people in Eastern Europe.

ASIA

Added value	Low
Degree of re-engineering	Stable product
Batch volume	Mid-high
Batch complexity	Low
Degree of automation	Low/much manual work
Logistical planning	Simple
Sales market	Western Europe & Asia

In Asia, Neways has 2 China-based operating companies in the field of PCBAs, systems assembly, and the production of microelectronics and hybrids. They work to a large extent on behalf of Neways operating companies in Western Europe that deliver to local Western European facilities of OEMs. To an increasing extent they are also delivering to local Asian facilities of OEMs.

The production activities in China involve almost fully developed and stable electronic components and systems with a relatively low degree of automation. There is a limited amount of development and production for the local Chinese hybrid market. The production facilities in China are modern, incorporate the latest SMD production lines and, as well as offering significant cost benefits, provide a good basis for further expansion of capacity in the region. The Chinese operating companies also play a central role in the expansion of Neways's components purchasing activities in the local Chinese market.

As well as the 2 operating companies in China, Neways has a sales and service office in Singapore which looks after the interests of existing Neways customers and charts the whole Asia region for potential new customers for Neways.

At year-end 2012 the total number of employees in Asia was 269.



Neways Outsourcing Team

From left to right:

Patrick Zelissen (Coordinator Sales Support Neways Cable & Wire Solutions)

Robert Loijen (Manager Corporate Outsourcing)

Lana Sanders-Hankova (Outsourcing Neways Advanced Applications)

Ralf Vervoort (Operations Manager Neways Electronics Echt)

Mohammed Alhillawie (Engineer Neways Leeuwarden)

Johan in 't Groen (Senior Account Engineer Corporate Outsourcing)

Neways Outsourcing Team

The Neways Outsourcing Team is responsible for streamlining product transfers to China and Slovakia. The team ensures that knowledge transfer takes place from the Neways operating companies in Western Europe to the operating companies in China and Slovakia.

A project team is formed for every project, with disciplines such as purchasing, production, logistics and quality. Depending on the required expertise, the projects are led by various operating companies, with the support of the Outsourcing Team.

As well as people from the various disciplines from all operating companies in the Neways Group, the Neways Outsourcing Team is composed of the following persons:

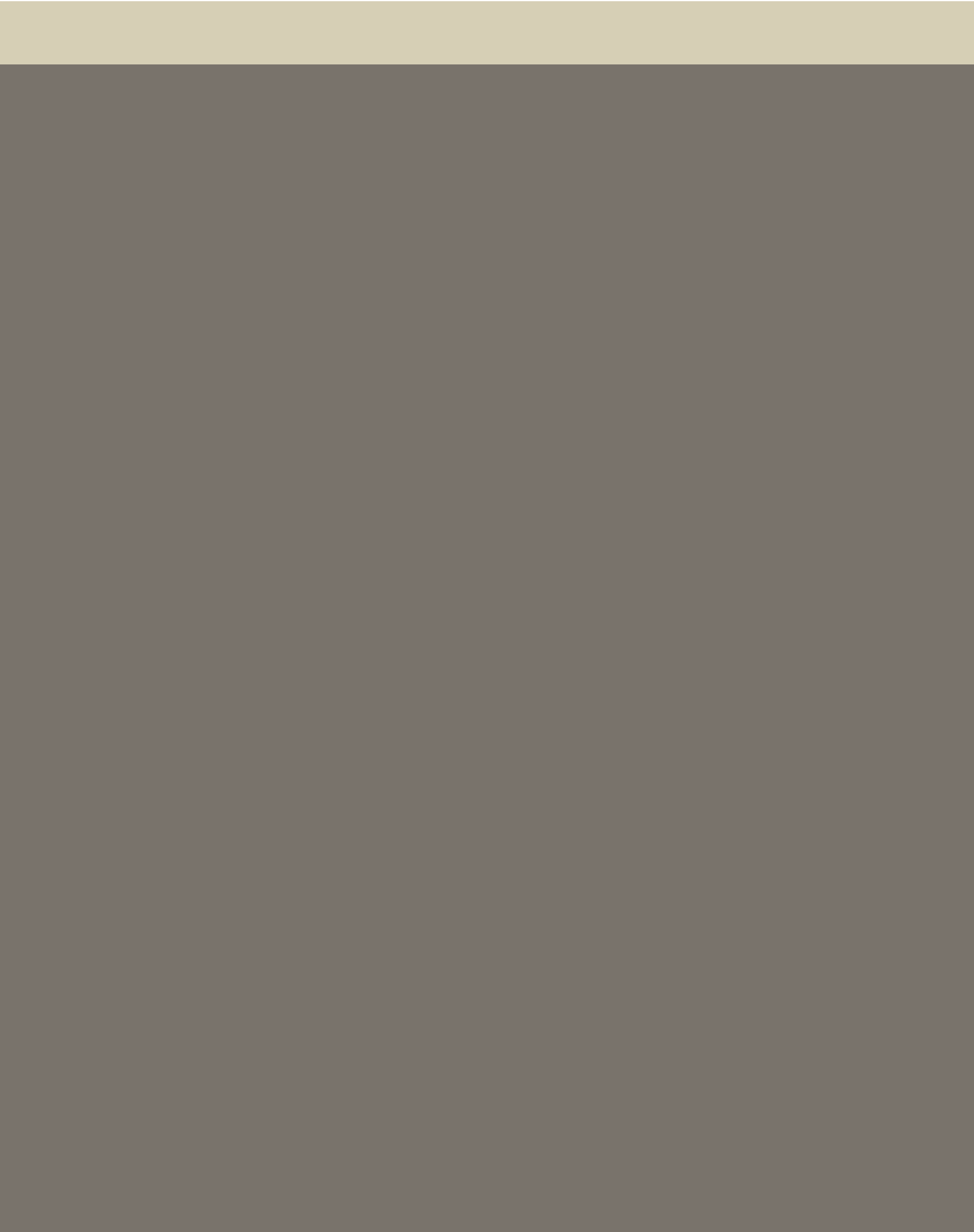
- Robert Loijen – Manager Corporate Outsourcing
- Marco Beije – Corporate Senior Buyer Asia
- Johan in 't Groen – Senior Account Engineer Corporate Outsourcing
- David Chian – Sales manager Singapore

All the operating companies in Western Europe are now working together with our facilities in Slovakia and China.

In the past few years we have successfully assisted with projects for customers such as FEI, Philips and ASML. In 2012 we also entered into a joint venture with a cable supplier in Asia, so as to be able to serve the Asian market in the field of cables.

More and more transfers to Slovakia and China can be expected to take place in the coming years. Neways is reacting to the current market pressure on margins by offering production from a cheaper region. The growing Asian market offers new opportunities to Neways. Having facilities in Eastern Europe and China means that we can produce in the best possible location for our customers and can respond to customer demand.

As well as offering cheaper production in these countries, Neways is also addressing global trends in purchasing. In concrete terms, this means that we are using an ever larger flow of goods from Asia for our Western European production.



Report of the Board of Directors

Report of the Board of Directors

The year 2012 in brief

The past year was a tempestuous and eventful one, with developments that have had a lasting impact on market sentiment and confidence worldwide. These developments have also affected Neways as a player in the EMS market, creating a new reality in which market volatility sometimes assumed extreme forms.

The first months of the past year were in line with the forecasts of that time: turnover was at a high level and the order portfolio remained strong. However, sentiment in the financial markets and the continuing uncertainty about the European economy had a major impact throughout the year, and this was also reflected in the EMS market. A good first quarter was followed by a moderate second one in which various customers scaled down their plans, while others, however, scaled theirs up. This led to under-utilisation of capacity in some operating companies. Other operating companies, on the other hand, had to contend with additional costs in order to be able to meet high demand. In combination with extra costs incurred in the first half of the year – in anticipation of the start of recently acquired projects – profitability came under pressure and was unable to keep pace with what was until then a relatively slightly higher turnover that, in historical terms, reached the highest level ever in mid-2012.

After a slight recovery in the third quarter, customers' production plans were adjusted very much downwards over a wide front towards the end of the third quarter and orders scheduled for the last months of 2012 were put back. Neways immediately anticipated this, reducing the cost level as quickly as possible by shedding the jobs of approximately 140 flexible employees. In addition, working capital and the supply chain came under tighter control in order to align them as closely as possible with the lower level of activity in the last months of 2012.

With some pressure on margins as well, such an extreme and short-cycle drop in demand could only partially be offset by organisational and cost measures.

Turnover for 2012 as a whole was € 274.3 million, down 3.4% compared with 2011 (€ 283.9 million). The operating result came to € 2.4 million, compared with € 8.8 million in 2011. Due to a write-down of the deferred tax asset in Germany by € 0.8 million, the net result came to – € 0.4 million. The net result excluding the write-down of the deferred tax asset in Germany came to € 0.4 million, compared with € 5.2 million in the preceding financial year.

Not only the increased turbulence of the market again made considerable demands on the flexibility of the organisation and our employees in 2012. Our customers want a partner who not only engages with them but also anticipates rapidly changing market conditions. We are therefore trying to work together as intently and closely as possible with customers and to think from the customer's point of view. This also helps us to identify opportunities and possibilities, to create more turnover synergy

and to benefit from the ongoing trend among OEMs to outsource non-core activities. Once again this attitude helped Neways to achieve strategic and operational progress on various fronts in 2012.

In 2012 there was again an increase in the number of customers and projects handled across the Group by several operating companies, and in the past year we strengthened our position with a number of large customers. Our development activities expanded, both organically and as a result of the takeover of the IACS business. Increasingly often, Neways is involved at an early stage in the development of new products.

The reorganisation at Neways Electronics Kassel was completed at the beginning of 2012. Although for the year as a whole the operations in Kassel were still loss-making, important moves were made to ensure that the manning level there is such that it will eventually be possible to return structurally to a good level of profitability. That is why the present emphasis is on obtaining orders and further shaping the working relationship with other operating companies.

Worldwide technological innovation is proceeding at a fast tempo and it is of the utmost importance to Neways to be able to continue to invest in its production facilities. This is relevant not only to meeting customer demand for faster lead times and a high-quality product, but also to being able to realise cost benefits for ourselves.

In 2012, Neways invested in new cleanroom facilities, advanced production lines and test equipment and in the preparations for the implementation of Infor's new ERP LN system.

The organisation in Asia has been strengthened and better positioned with a view to realising cost benefits on the production side and better utilising the opportunities for Neways in Asia to serve the local facilities of large OEMs. For this purpose we have invested not only in quality and efficiency of the production organisation, but also in regional marketing, the maintenance of contacts with existing customers and the identification and creation of contacts with potential customers and suppliers. Many of these activities are directed by Neways Electronics Singapore, which was established specially for this purpose in 2010. Neways's financial position remained as strong as ever in 2012, with a solvency ratio of 47.4%. Adjusted to take account of deferred tax assets, goodwill and other intangible fixed assets, the solvency ratio was 45.4% and is thus well above the banks' requirement of 35%.

Outlook

The structural long-term outlook in the EMS market is predominantly positive for specialist companies like Neways. Since the beginning of the economic crisis the trend towards the outsourcing of non-core activities by OEMs has accelerated. Neways has the funds, the ability to offer the desired added value to the customer and the geographical footprint to follow OEMs to regions that are attractive to them, such as Eastern Europe and Asia. OEMs are critical when choosing their partners. Track record and mutual trust are important factors in their choice. Neways has proved its ability to perform this role and meets many of the criteria of the OEMs.

There are many opportunities for Neways. It would help, however, if customers would react in a less extreme manner to macro-economic sentiments. So long as these uncertainties persist, Neways will assume that the high degree of volatility in the EMS market will continue, something which makes great demands on the flexibility of the Neways organisation and puts extra pressure on profitability.

The trends in the EMS market are also partly reflected in the order portfolio, which despite the crisis has shown itself to be fairly robust, though it unexpectedly decreased sharply in the fourth quarter. This only confirms that the predictive value of the order portfolio in the shorter term has declined, because orders are being deferred more quickly and the proportion of multi-year orders (which are not fully included in the portfolio) is increasing. The order portfolio at year-end 2012 stood at € 62.5 million, which was 7% lower than at year-end 2011 and implies a somewhat sluggish start in 2013.

As far as 2013 is concerned, there is at present no reason to assume that the EMS market will develop quite differently than in 2012. Neways expects the market to remain highly volatile, with sharp peaks and troughs in demand throughout the year. This projection is driven by the continuing macro-economic and political uncertainties and sentiments, which Neways will have to anticipate as effectively as possible.

Because of this ongoing volatility in the EMS market and therefore the continuing imbalance in utilisation of capacity within the Group, it was decided in the first quarter of 2013 to terminate the stand-alone activities of the operating company in Echt. All the activities, including the entire machinery, will be transferred and redistributed among the other operating companies within the Group. The reallocation of the activities will lead to lower investment levels and from mid-2013 will result in structural cost savings amounting to several millions annually. The non-recurring costs that will be charged to earnings in the first quarter of 2013 are not expected to be higher than the cost savings on an annual basis. Every effort will be made to transfer as many of the 100 permanent employees as possible to another operating company within the Group.

Good management of purchasing processes, better inventory management and improved utilisation of capacity throughout the Group have always played an important role, but under such market conditions are even more important if margins are to be protected.

It is now important to keep pace with and improve all these aspects. The internal organisation has to be more flexible and better aligned to customer demand. That means that Neways will continue to promote intensive cooperation and a joint approach on the part of the operating companies. The will to adopt a joint approach to customers and to deploy one another's expertise is indispensable to achieving greater efficiency, creating synergies between operating companies, being able to deliver innovative solutions and creating and utilising opportunities with existing and new customers.

In a sector with a high rate of technological innovation Neways will continue to invest in the latest production technology and in the improvement of the exchange of information. Total investments in 2013 will be at a comparable level to 2012.

In Asia there are definite opportunities for enhancing our commercial capability by growing together with OEMs who are building up their production capacity in the region. In doing so, Neways will put the emphasis on the purchase of materials in Asia and direct deliveries from the production facilities in China to OEMs in the region.

Neways's financial position is sound and enables the Company, even in the present difficult economic climate, to continue to invest and to implement its strategy step by step. Neways therefore looks forward with confidence to 2013.

Development of order portfolio

In € millions

31 December 2012	62.5
31 December 2011	67.1
31 December 2010	72.2
31 December 2009	56.0
31 December 2008	57.3

Financial developments

Abridged consolidated financial statements (excl. special expenses)

In € millions	2012	2011	2010
Net turnover	274.3	283.9	254.5
Gross margin	109.2	114.9	103.9
Operating result	2.4	8.8	8.4
Profit (loss) before tax	1.4	8.1	7.5
Net profit (loss)	0.4	5.2	5.1

Turnover

Gross turnover versus net turnover

In € millions	2012	2011	2010
Gross turnover	298.1	308.7	274.0
Internal turnover	23.8	24.8	19.5
Net turnover	274.3	283.9	254.5

Turnover

Gross turnover fell by 3.4% in 2012 to € 298.1 million. Internal turnover decreased by 4% compared with the same period of the preceding year. On an annual basis, net turnover declined by 3.4% to € 274.3 million. The fall in turnover was due to a decline in demand in the semiconductor, defence and telecom sectors.

Turnover of the less cyclical activities in the medical sector actually increased in 2012, which in view of the spending cuts in health care by national governments worldwide was a good performance. In the defence sector in particular there were sharp budget cuts and a postponement of orders and invitations to tender.

Turnover by market sector

In € millions	2012	2011	2010
Industrial	103	100	82
Semiconductors	71	82	69
Medical	68	65	65
Automotive	20	20	17
Defence	4	7	11
Telecom	4	6	6
Other	4	4	4
Total	274	284	254

Distribution of turnover according to competences

As a percentage	2012	2011	2010
PCBA	41	43	41
Systems assembly	39	37	39
Cable assembly	6	7	8
Engineering and development	8	7	6
Microelectronics	5	5	5
Service and repair	1	1	1

Gross margin

The gross margin decreased in 2012 by 5% to € 109.2 million (2011: € 114.9 million). As a percentage of turnover, this was slightly lower than in 2011 at 39.8%. The shift in the product mix to higher-added-value activities, such as systems assembly, development, prototyping and engineering, continued once again in 2012.

Operating expenses

The operating expenses largely relate to personnel charges. Compared with 2011, these personnel charges increased by 0.6% to € 79.7 million and as a percentage of net turnover they went up from 27.9% to 29.1%. The average number of FTEs decreased by 5.4% to 2,052.

At the beginning of 2012, Neways completed a restructuring of the organisation of its operating company Neways Electronics Production in Kassel (Germany), replacing the management and reducing the number of employees and replacing some of them in order to structurally lower the cost basis and increase the organisation's responsiveness. The associated reorganisation expenses, which were already taken in 2011, amounted to € 1.4 million.

The other operating expenses recorded here, consisting of such items as accommodation expenses, production expenses, selling expenses and consultancy expenses, fell in the year under review but remained the same as a proportion of turnover.

Depreciation and amortisation

The level of depreciation and amortisation in 2012 was € 4.2 million, a slight decrease compared with 2011, as a consequence of a change in the estimated lifetime of machinery and equipment from 5 to 7 years.

Operating result and operating margin

Operating result was € 2.4 million, compared with € 8.8 million (excluding a non-recurring reorganisation charge) in 2011. The operating margin thus came to 0.9% in 2012.

Finance costs

The finance costs increased in 2012 by 29.7% to € 1.0 million, due to the inclusion of negative exchange rate differences.

Net result and result per share

Net result, excluding the write-down of the deferred tax asset in Germany, came to € 0.4 million, compared with € 5.2 million in 2011. Including this write-down, net result per share in 2012 came to –€ 0.04, compared with € 0.39 in 2011.

Dividend

It will be recommended to the General Meeting of Shareholders to distribute a dividend, in accordance with the dividend policy, of € 0.012 per share, based on the net result without taking account of the write-down of the deferred tax asset in Germany.

Abridged consolidated balance sheet

In € millions	2012	2011	2010
Shareholders' equity	48.7	49.6	46.2
Balance sheet total	102.5	114.0	109.6

Shareholders' equity and solvency

Shareholders' equity decreased in 2012 by 1.8% to € 48.7 million (2011: € 49.6 million). The solvency ratio (shareholders' equity/total assets) came to 47.4% at year-end 2012 (2011: 43.5%). Adjusted to take account of deferred tax assets, goodwill and other intangible fixed assets, the solvency ratio was 45.4%, well above the minimum target of 35%.

Net debt position and interest coverage

The interest-bearing long-term liabilities and the short-term liabilities increased in total by € 3.2 million to € 0.7 million and € 6.5 million respectively. After the deduction of cash and cash equivalents this results in a net debt position of € 6.8 million (2011: € 3.3 million). The existing credit facility remained unchanged in 2012. The current interest payment is Euribor plus 1.35%.

Working capital and net cash flow

Working capital (inventories plus receivables minus trade creditors and other accounts payable) increased by 9.8% to € 39.1 million (2011: € 35.6 million). The inventory position decreased due to a reduction in stocks of semi-finished products and an improvement in the rate of inventory turnover. The outstanding accounts receivable decreased due to a lower level of turnover in the last quarter of 2012.

Measured in days of turnover, inventories stood at 70 days at year-end 2012 (2011: 71 days), which is too high. The target is a rate of inventory turnover of 60 days. This will continue to be specifically addressed in 2013.

The number of days of accounts receivable came to 38 at year-end 2012 (2011: 37 days) and is thus at a good level. The total provision for bad debts at year-end 2012 was € 0.5 million (year-end 2011: € 0.4 million).

Abridged consolidated cash flow statement

In € millions	2012	2011	2010
Operational cash flows	1.3	12.1	10.6
Investment cash flows	-4.2	-10.2	-4.2
Net cash flow	-2.9	1.9	6.4
Financial cash flows	2.6	-1.7	-6.3
Movements in cash	-0.3	0.2	0.1

The net cash flow (net result plus depreciation adjusted for investments and changes in provisions and working capital) amounted to -€ 2.9 million in 2012 (2011: € 1.9 million).

Investments and return on investments

Investments in 2012 were primarily replacement investments and targeted expansion investments in test equipment, preparations for the introduction of Infor's ERP LN system and the expansion of cleanroom facilities. The investments in the ERP LN system consist solely of the cost of hiring temporary staff from outside the Company.

Total investments in tangible and intangible fixed assets amounted to € 4.2 million, compared with € 7.4 million in 2011. Neways invests mainly in technology in order to serve customers better in terms of speed and quality.

The level of depreciation was lower in 2012 than in the preceding year. The return on investments (operating result as a percentage of capital invested) declined in 2012 to 4.4% (2011: 16.5%).

Financial cash flow and net liquidity position

The financial cash flow was € 4.3 million higher than in the preceding year. The cash flow is mainly due to an increased utilisation of the current-account credit facility.

Operational developments

Intensification and promotion of internal cooperation

Various initiatives were taken in 2012 to intensify the cooperation between the operating companies and to structure it better, both between the operating companies in Western Europe and with the operating companies in Eastern Europe and Asia. This mainly involves things such as improving quality and strengthening innovative power by adopting a more joint approach and exchanging knowledge and experiences. Neways also sees many possibilities with regard to things such as improvements in efficiency and the realisation of turnover synergy.

To utilise that potential it is essential to deploy people and resources as effectively as possible across the Group. To this end, periodic consultations take place between the various project teams within the Neways Group. Appropriate communication with the operating companies and the provision of parallel information to them enables us to react quickly to changes, for example.

Good progress was made in 2012 and more customers were served over a broader spectrum of the Neways Group. This puts Neways in a better position to be involved as a knowledge partner at an early stage of new projects and to be pro-active. Close internal cooperation is a prerequisite for further fulfilment of the one-stop-provider strategy.

Progress on the implementation of the ICT project Next Generation

After thorough selection, preparation and testing the project has proved even more extensive than it first seemed. For the sake of thoroughness and quality it was decided to delay implementation somewhat, so the first physical implementation will now take place at Neways Advanced Applications in 2013. Further implementation will then be introduced step by step in each operating company.

The new system replaces the present BaaN IV system, but also reduces the number of applications. The new ERP system, which offers more and new functionalities, will promote the desired closer working relationship between employees of the various Neways operating companies and a more efficient deployment of people and resources across the Group.

Investments in the Asian production facilities

In Asia a marked increase in local demand on the part of OEMs for reliable and good-quality back-up production has been noticeable in recent years. Neways continued to respond to this demand in 2012 by making various investments in advanced production lines. With modern production facilities in China, the Company is in an excellent position to continue to meet the growing demand for deliveries to Asian facilities of the major players in manufacturing industry.

Expansion of components purchasing in Asia

After having successfully started some years ago to purchase relatively labour-intensive components, we have now begun, with the knowledge and experience that has been gained, to systematically take the next logical step.

For Neways this is a very thorough process. The decisive factor in the choice of local Asian suppliers is their ability to guarantee quality and delivery reliability.

Prototypes in China often meet the specifications, but the consistency after validation and product release sometimes leaves quite a lot to be desired, which means that current projects can be jeopardised and tensions can arise with our customers. Suppliers have to be able to meet the strict requirements that Neways's customers have with regard to these aspects.

Progress of supplier reduction and improvement programme

In the past few years Neways has reduced the number of its suppliers.

The main reason for this reduction was to achieve more effective communication with suppliers, so that wastage arising from complex communication could be cut back.

Ongoing improvement is also imperative in this area, however. As a consequence of the Neways Group having production facilities in Western Europe, Eastern Europe and China, our suppliers are required to provide direct deliveries to these production facilities, with all the associated frontier problems. These changes, specifically those relating to the worldwide delivery of components, mean that there will continue to be natural pressure regarding the reduction of the number of suppliers.

Given this situation, Neways has entered into structured constructive talks, mutual evaluations and improvement processes with preferred suppliers in order to improve efficiency throughout the supply chain and to achieve improved performances. This has involved undertaking performance measurements with regard to quality, logistics, technology and costs. The emphasis here has been on customer orientation: how will this benefit the customer? This approach is supported by the whole management team, so that customers' wishes are put into effect.

Expansion of higher added-value development activities

The expansion of the development, prototyping and testing activities was continued in 2012. The Neways development team, which now has a total of 170 technical engineers, was strengthened in the past year both organically and by means of a takeover. In September all the electronic development activities of the Dutch firm IACS were acquired. This involved approximately 10 engineers. As well as expanding its engineering competencies, Neways has hereby taken an important step in the field of solar energy.

With this takeover we are continuing to meet the demand of major players in manufacturing industry for knowledge partners who are increasingly involved at an early stage and who engage with them in developing new components and (sub-) systems.

The development team that has been acquired will join Neways Technologies in a new facility close to the high-tech campus of the University of Twente at the beginning of 2013. Neways is thus strengthening its position in the labour market for engineering graduates in this industrial and technological region.

The increased size of the organisation means that the development engineers of Neways Technologies will increasingly often be able to take final responsibility for larger projects, for instance in the field of industrial installations and control systems.

Other developments within the Group

A corporate outsourcing team was created at the beginning of 2012. One of its main tasks is to assist and advise our Western European operating companies on what products are suitable for transfer to our operating companies in Eastern Europe/China. This includes all aspects, such as customer release, extension of lead times and quality of transfer. The sharpening of this focus (outsourcing) and the activities of this team are helping us to be better and more pro-active in responding to our customers' wishes.

In 2012, Neways Leeuwarden received the first order for PCB assembly for traffic systems, namely assembly of building blocks for a universally applicable traffic system. These building blocks enable various display systems to be made, for example matrix signalling systems along motorways. The first 250 products have already been produced in Leeuwarden.

Intensive cooperation between our operating companies Neways Technologies, Neways Advanced Applications and Neways Electronics Echt has led to cooperation with a high-tech company engaged in technological development of both optical and digital signal processing of images. Together with this firm we have been able to deploy our knowledge in starting up the development of a 3-dimensional display that does not require the use of 3D glasses. In this regard the deployment of our knowledge in Western Europe and the utilisation of our production facilities in Eastern Europe/China, if the product is released for batch production, fit with our business model.

In spite of sharp government spending cuts, Neways won several multi-year (2012-2018) defence orders in 2012, the value of which may exceed € 30 million.

The previously announced reorganisation at Neways Electronics Production in Kassel (Germany) was completed at the beginning of 2012. With a new director and a new management team, a slimmed-down organisation, a stronger commercial capability and modernisation of the production lines, the first steps were taken in 2012 to return to a structurally good manpower level and profitability. In the past year the working relationship with other operating companies was intensified and investments were made in things such as certification of the quality and environmental management systems in accordance with ISO 9001 and ISO 14001 and the introduction of a complaints database, resulting in an appreciable increase in delivery reliability.

Investing in quality is an ongoing process for a technology firm like Neways. Following the example of Neways Leeuwarden, Neways Neunkirchen (Germany) completed the implementation of the production quality system vCheck in 2012. This system makes it possible to make adjustments to production and logistical processes faster. This production quality system will also be introduced by other operating companies in due course.

At the production facility Neways Slovakia various changes were carried out in 2011 and 2012 in the logistics organisation of the PCB assembly division. One of the consequences has been efficiency improvements involving both cost savings and higher added value. There was also an investment in the enlargement of the warehouse.

The expansion of the cleanroom facilities at Neways Advanced Applications in 2011 resulted in a further strengthening and expansion of the 'ultraclean' production process in 2012. This involves things such as new product introductions to customers that have been created in close cooperation with the development team of Neways Technologies.

Together with Neways Wuxi (China), Neways Advanced Applications fulfilled in 2012 the request of a customer who is very important to Neways to facilitate them in servicing/repairing PCBs. As the machinery in question is concentrated in Asia, our customer stipulated that he wished to use our Wuxi plant for these service and repair activities.



Neways Defence Team

From left to right:

Friedel Erdelmann (Project / Account Manager Defence, Neways Leeuwarden)

John Swinkels (Project Leader Defence, Neways Industrial Systems)

André Beckers (Manager Business Unit Neways Defence Electronics)

Paul Frenken (Manager Business Development Neways Defence Electronics)

Neways Defence Team

The Neways Defence Team, which started in 2007, supports various Neways operating companies in defence projects. The defence market is characterised by often large, complex projects with long lead times and a tendering process that also takes a disproportionately long time.

The complete Neways Defence Team is composed of the following persons:

- André Beckers, Manager Business Unit Neways Defence Electronics
- Paul Frenken, Manager Business Development Neways Defence Electronics
- Frank Offermans, CFT Leader Defence, Neways Cable & Wire Solutions
- John Swinkels, Project Leader Defence, Neways Industrial Systems
- Friedel Erdelmann, Project / Account Manager Defence, Neways Leeuwarden
- Jörg Neukirch, Director, Neways Vertrieb Deutschland

The Neways Defence Team has been able to provide support for a number of large defence contracts in recent years. The most noteworthy defence project in which Neways has been involved is the CV9035 project (new Infantry Fighting Vehicle of the Dutch Army). This project required close cooperation between Neways Leeuwarden, Neways Cable & Wire Solutions and Neways Industrial Systems. On the basis of the disciplines required, a number of project teams were formed: Purchasing, Quality, Production, and Logistics. Regular coordination between the project teams and the steering group, consisting of the directors of the operating companies involved, the manager of Neways Defence Electronics, the programme manager and a financial controller, meant that the scheduling and budgeting could be monitored in a transparent way. Whenever any issues arose, the steering group was consulted on an ad hoc basis in order to arrive at a solution in an appropriate and efficient way.

Neways's outstanding performance in the CV9035 Project (Infantry Fighting Vehicle) and the subsequent BOXER Project (Large Armoured Fighting Vehicle) provided good references and led to a first Non-Offset Defence project in 2012 for Neways Defence Electronics. This was the extensive FUCHS Project (Armoured Fighting Vehicle), with a lead time of 7 years, for which Neways Leeuwarden, Neways Cable & Wire Solutions and Neways Industrial Systems "Vetronics" (Vehicle Electronics) will deliver (umbrella project involving several operating companies).

Various new orders will be sought in 2013. Neways has submitted tenders for the supply of cables, PCBAs and systems to OEMs who are still involved in the tendering process for the VOSS programme (Improved Operational Soldier System). The start and execution of the first U.S. defence project as part of Offset within the RAVEN (UAV) programme (Unmanned Reconnaissance Aircraft), and the first large-volume deliveries of electronics systems for the FUCHS program are orders to which Neways will devote considerable attention in 2013.

Organisation and employees

High-tech company

Neways is a high-tech Dutch manufacturing company based at the Science Park Eindhoven. It operates close to its often large multinational customers and is strategically positioned in industrial and technology-driven regions in the Netherlands and Germany.

Organisational structure

The Neways organisation consists of 13 operating companies with a total number of employees of, on average, 2.052 (FTEs) in 2012. Of the workforce, roughly 66% work in Western Europe and 34% in Eastern Europe and Asia.

As far as the allocation of employees is concerned, Neways seeks an optimum distribution between Western Europe, on the one hand, and Eastern Europe and China, on the other. This means a balance between (1) sufficient capacity in Western Europe for more complex components and systems that are developed and produced in close proximity to, and in close cooperation with, the customers, and (2) capacity for less complex, fully developed and stable electronic components and systems that can be batch-produced by the operating companies in Eastern Europe and Asia.

As well as permanent employees, Neways uses a relatively large number of flexible (mainly production) workers in Western Europe in order to be able to respond as effectively as possible to fluctuations in customer demand. This is done right across the Group. The sometimes extreme short-term fluctuations in demand resulted once again in 2012 in a lot of scaling up and down of the flexible workforce on temporary or employment agency contracts. At year-end 2012 the ratio of permanent to flexible employees was 86%/14%, though it should be noted that the number of flexible workers was reduced considerably in the last quarter by a total of approximately 140 FTEs.

Part of "Brainport" region

Neways forms part of the "Brainport" region around Eindhoven, which in 2011 was awarded the title of the 'world's smartest region', an important cluster where technologically innovative companies, the Eindhoven local council and R&D institutions such as the University of Technology and technological colleges of higher education work closely together. The aim is to create a strong and flourishing high-tech industry in the region and to promote the attractiveness of the region as a business location for innovation, R&D and technology-driven companies.

High-tech as top sector

The Ministry of Economic Affairs in the Netherlands has designated high-tech as one of the top sectors of the Dutch economy, conducting an active policy both regionally and nationally to retain and improve the sector's competitiveness. Because of factors like high wage costs compared with low-wage countries, low government investment compared with Asia and the USA, and a small Dutch domestic market, the sector positions itself above all internationally in the 'high value, high mix, high complexity' segment.

Dutch high-tech companies generally target niche markets, usually with small batch sizes, and distinguish themselves through technological excellence. Through intensive cooperation between OEMs and specialised suppliers and R&D institutions, this sector can maintain its international distinctiveness. In this way the high-tech sector can make a fundamental contribution to social solutions in the fields of health, mobility, sustainability and security of energy supplies.

Greater demand for engineering graduates

Innovation, flexibility and high-grade technological solutions are attributes that Neways's customers expect of a knowledge partner. Customer demand is still increasing in complexity. This changing demand, with more emphasis on partnership, knowledge and added value, also means that the structure of the Neways organisation and the employee mix are changing. The number of Neways employees with higher education has been constantly increasing for years now, a good example being the number of developers and engineers, which grew again in 2012, partly due to the acquisition of the IACS engineers, to approximately 170.

Through the more intensive cooperation with, and increasing outsourcing by, large OEMs, Neways has extended its activities in the past few years to the complete management of the product life cycle of particular electronic components and systems, so that for several customers the Company has grown to become a fully-fledged one-stop-provider. That means that, as well as production, Neways can also undertake the development, the prototyping, the testing and the re-engineering of those components and systems. As a result of this development, the need for employees with higher education is expected to further increase in the coming years.

Scarcity in the labour market

Neways's growing need for employees with specialist technical knowledge affects the Company's recruitment and selection policy.

Where possible, Neways once again pursued a distinct and pro-active policy in 2012, raising its profile among students of technological subjects as an attractive potential employer, for instance by means of presentations, workshops, having a presence at the annual university open days and offering internships to university and school students.

Neways regards the presentations at universities of technology as a good way of arousing the interest of future students in a vocational education in electronics. It is our intention to further intensify contacts in the future, so that in this way we can connect with and recruit well-qualified future personnel at an early stage.

In this context, at the beginning of 2013 the development team of IACS which Neways acquired was housed in a new facility close to the high-tech campus of the University of Twente.

Binding talented employees to the Company and promoting personal development

Employee development is an area on which considerable attention is focused at Neways. The importance of personal development and growth ties in to a large extent with the dynamics of the various sales markets in which Neways operates, sales markets in which customers have the most varied requirements and count on innovative solutions.

Specialist technical knowledge is an important competency for employees. That is not all, however. There is a growing need within the Company for innovative thinking and a team player's approach to thinking up and developing total solutions for customers. To facilitate this, Neways provides education and training programmes in which the employee's creativity is encouraged.

We also focus considerable attention on good career and promotion prospects and an appropriate remuneration policy. Attractive employee benefit packages and possibilities of personal development are important in retaining talented employees, both in good and in bad economic times. The development meetings that are periodically held with employees go further, therefore, than an appraisal and a review of performance. Rather the emphasis is on looking forward, looking at what the employee's interests and ambitions are and what capabilities are needed in order to grow in that direction.

Neways is working on a multi-year competency development plan. Instead of identifying what skills are lacking in an employee's current work, the emphasis is placed on the sales markets and customers that an employee is, or will be, involved with. In this way it is established in which areas the employee needs to develop and the personal competency development programme is devised in consultation with the employee.

To facilitate this, a new system of employee appraisal was introduced in 2012. The new system was used for the first time at the end of 2012 following a preparatory phase and an extensive test phase at two Neways operating companies. The system differs from the previous one in that its content is much more detailed. For instance, there are in total 25 criteria on which employees are appraised. There are also 12 additional criteria for managers. The filling-in and filing of the form can be done completely digitally. Once the system has been introduced throughout the Neways organisation, it will be further optimised in the course of 2013 in response to feedback from the user group.

Prevention of sick leave

Neways's human resources policy is to pursue as far as possible an integrated approach to sick leave, which means not only focusing on work and working conditions, but also trying to have an insight into, and influencing, aspects of personal life and lifestyles that might cause sick leave.

Neways expects all its employees to contribute to putting this policy into effect, as the prevention of sick leave is regarded as a joint responsibility of employer and employee.

In a situation of long-term sick leave the (direct) manager, the human resources department and the occupational health (Arbo) department remain in regular contact with the employee. Frequent consultation between the aforementioned parties and the employee concerned often facilitates and speeds up the employee's return to the work process.

The average level of sick leave increased slightly in 2012 by 0.3% to 4.1% (2011: 3.8%).

Employee involvement

In the Netherlands the employees in most of the Neways operating companies have their own Works Council. In the Netherlands there is also an employee involvement structure at group level in the form of the "Centraal Overleg Neways" (CON).

Delegates from the various Works Councils in the Netherlands are represented on the CON. In 2012 the CON met five times with the Board of Directors. It is also customary to meet once a year with the chairman of the Supervisory Board in attendance.

Regular items for discussion at the CON meeting are market developments and results. In 2012 the meeting dealt with specific subjects such as the completion of the harmonisation of conditions of employment and the introduction of a new employee appraisal system.

The management team meeting, which is attended by all the directors of the operating companies, periodically discusses relevant HR subjects and/or HR subjects that transcend the individual operating companies.

Harmonisation of conditions of employment

Following a period of preparation and thorough consultation with the CON and the trade union organisations, the conditions of employment for operating companies in the Netherlands were harmonised at the beginning of 2012.

Harmonisation was necessary because of various takeovers in recent years and the fact that flexible deployment of employees throughout the Group has been happening more often. More and more employees are seconded to other operating companies in the course of a year in order to be able to cope better with peaks and troughs in production within the Group and the individual operating companies.

Harmonisation has now created consistency in the conditions of employment, and also helps to facilitate and stimulate the working relationship between the operating companies.

Transparency and clarity for employees

In 2012, Neways set up a new digital information platform on the Company's human resources policy. The site can be accessed by all Neways employees from any location by means of a personal log-in code.

The site contains information about various HR-related subjects such as the organisational structure, the harmonised conditions of employment and the ethics policy. It also deals with development and career prospects in the Neways organisation and contains information about matters such as pensions and insurance. Furthermore, practical things like the downloading of forms from the digital platform are facilitated. It means that all information concerning employment at Neways can be found at one central location.

Socially responsible business

People, Planet, Profit

Neways recognises the importance of socially responsible business and regards this as a strategic choice in achieving its objectives. Neways's aim is to find the right balance in meeting the needs of people, planet and profit.

Ethical behaviour

Neways's greatest asset is its employees. Investing in employees is therefore a priority. One of the ways in which Neways invests in people is by providing good education and training programmes which stimulate the employee's creativity. At the same time, good career and promotion prospects, and of course an appropriate remuneration policy, are also important. The behavioural norms that have been in force throughout the Neways organisation for years have been documented and set down in the ethics policy. This policy forms part of the internal regulations book and as such every new (and existing) Neways employee must adhere to this policy. The ethics policy is formulated as a code of conduct on the Neways website and is in accordance with the Best Practice provision II.1. 3. of the Dutch Corporate Governance Code.

Stichting Atlant Partnership

Neways has been involved for more than five years in the foundation Stichting Atlant Partnership, a network of small and medium-sized enterprises and large employers in the Eindhoven region that seeks to provide opportunities for suitable long-term jobs to people who are distanced from the labour market, such as people with a labour disability.

Neways offers a lot of scope in its various units for taking on, and keeping in employment, people with a labour disability. In 2012 Neways made a number of jobs available to people put forward by the Stichting Atlant Partnership. This policy will be continued in 2013 and, where possible, extended.

Integrated sustainability policy on the way

In 2012 we worked on formulating an integrated sustainability policy. This policy will be introduced at the beginning of 2013. Neways has chosen to align its policy with the Electronic Industry Citizenship Coalition (EICC) code of conduct, an international code developed for the market sectors in which Neways operates.

In 2012, Neways used the EICC as the basis for creating its sustainability policy. The ethics policy introduced previously, in 2011, became part of the sustainability policy, which as well as ethics will also deal specifically with work, health and safety, and the environment. In addition, a management system has been developed to put the sustainability policy into effect and to monitor progress. This system will be put into use starting in 2013.

Safety first

A pro-active approach to the creation of a safe work environment is an ongoing process for Neways. Strict safety regulations apply to virtually all Neways's activities, such as the development of microelectronics, the engineering of electronic components and the placement of components on PCBs. They relate not only to fire prevention, but also to protection against possible injury, for instance by means of rules on protective clothing. The function of the clothing regulations is twofold: to provide protection and to keep the various cleanrooms free of dust, since these are rooms in which testing and production takes place under strict ambient conditions in order to guarantee and optimise the quality of the products that are delivered.

All the Neways operating companies in the Netherlands employ a prevention officer. This person has an important role in the improvement of working conditions, the fitting-out of the workplace and the prevention of unsafe situations. The management of the Neways operating companies is responsible for making all employees continually aware of the importance of preventive improvement of the workplace. This is realised by means of periodic safety training and ongoing attention to possible areas for improvement. As already stated, safety is part of the sustainability policy adopted by Neways. There is likewise an important role for the prevention officer in the implementation of this sustainability policy.

A large part of the responsibility for a safe work environment lies, of course, with the employees themselves. The prevention of accidents – through such things as keeping workplaces fitted out in an appropriate way – is a responsibility that is incumbent on every employee. As the health and safety of our employees is an important issue at Neways, the prevention officer and/or safety coordinator conduct regular inspections of the workplaces. In this way Neways seeks to reduce the number and seriousness of industrial accidents. There were no noteworthy industrial accidents in 2012.

Like the policy on sick leave, Neways's safety policy is aimed at prevention. Employees are kept aware via an IntraWeb of things such as substances used in work that are potentially harmful to the employees' health. The properties of such substances are clearly indicated on the available workplace charts and MSDS sheets (Material Safety Data Sheets) and it is explained how they are to be handled. A working group keeps this information up to date and adds any new substances to this database.

Should an accident occur, Neways has sufficient employees who have received first-aid training. At the facilities in the Netherlands this is handled by a team of emergency relief workers who are able to offer quick and appropriate help. These employees are regularly trained in order to keep their expertise up to date. As well as individual emergency relief, Neways periodically conducts exercises for major calamities like fires. Both announced and unannounced evacuation exercises, with the involvement of external specialists such as the fire brigade, form part of the programme of exercises.

Environmental issues

Environmental issues play an important role in the sector in which Neways operates. Neways always aims for more efficient energy consumption and the reduction of the harmful environmental effects of our business activities. The consequences for the environment are already taken into account in the design and development phases of a new electronic component or system.

As well as more efficient energy consumption and improvement of environmental procedures, we also look at possible ways of reducing or recycling waste flows. All soldering tin waste, for example, is returned to the supplier, who recycles this material. Other residual materials from production processes, such as paper, toner cartridges and batteries, are disposed of separately in order to facilitate recycling. It goes without saying that also when new machinery is purchased all relevant environmental requirements are strictly observed.

The entire Neways organisation continually develops new initiatives to make its activities more efficient and less harmful to the environment. For instance, in 2010 the 'Paperless Factory' started at Neways Advanced Applications. This involves the digitisation of the quantities of paper used for adding instructions to an order. In the course of the years the products that are developed have become more complex, and instructions, which thereby become more numerous, are therefore beneficial to the quality of the products. Now that the project has been fully implemented at Neways Advanced Applications and is working satisfactorily, it will be rolled out, in combination with the functionalities of the Next Generation project, in the other Neways operating companies. In this connection a project group was started in 2012 in HR and the department responsible for salary processing with the aim of reducing the use of paper in the processes for the provision of information exchange between the two departments.

Nearly all the Neways operating companies have now received ISO 14001 certification. This ISO 14001 standard is in recognition of having complied with the highest quality and safety requirements. The quality requirements have also been tested against the latest environmental requirements, including lead-free production of electronics.

Certain sectors of the EMS market in the European Union are no longer permitted, with effect from 2006, to produce electronics containing lead. Production is fully or partly lead-free in the majority of the Neways operating companies. However, lead-free production is not yet compulsory in the medical sector and the semiconductor industry, for instance, though it is expected that lead-containing electronic components and systems will also be prohibited in this sector from 2015. In anticipation thereof, Neways has adjusted its production processes accordingly and will be able to switch to fully lead-free production without difficulty.

Wellbeing and employee satisfaction in an international context

Neways expects its employees to meet high standards. The quality of the employees determines the end result. Awareness of this fact makes it important for Neways to be an attractive employer for its particular target groups, an employer who not only offers a challenge in terms of job content but also provides good primary and secondary terms and conditions of employment. Neways enables its employees to take various training courses that are relevant to their (future) work at Neways and can also be of added value outside the Company.

In the operating companies in China the relevance of the development of the Neways employees is given extra emphasis. Neways is conscious of its task as an employer in countries where the terms and conditions of employment are not comparable to those in Western countries. Neways contributes in various ways to improving the position of these employees. For instance, as part of the employee benefits, Neways provides accommodation for employees who are not from the Wuxi area. Furthermore, it is Neways's aim to be known as an employer of choice in the area around Wuxi. Thanks to things such as a training programme and relatively favourable (secondary) employee benefits there is a high level of employee satisfaction at the Neways operating companies in China.

To make an active contribution to employee wellbeing, Neways works closely together with a number of expert industrial medical officers/occupational health departments. Employees can obtain advice or are referred to specific health care providers or the HRM department. Every Neways unit also deploys a "counsellor", often in the person of the industrial medical officer, with whom employees can discuss their complaints in complete confidence. This is part of Neways's striving to optimise wellbeing within the organisation.

Market developments, trends and competitiveness

Neways operates in the Electronic Manufacturing Services (EMS) market. EMS is a global, dynamic and partly cyclical market characterised by constantly changing and increasingly complex demand from large customers, mainly Original Equipment Manufacturers (OEMs).

Neways is a medium-sized player that targets niche markets, differentiates itself on the basis of its specialist knowledge and concentrates on the development and production of medium-sized batches of components and systems with a high added value.

The EMS market is highly fragmented and therefore has many players, varying from companies with turnover of several millions to multinationals with many billions. However, the number of smaller players is rapidly declining. This is mainly due to the strategy of OEMs, a strategy aimed at consolidation. This means that OEMs give preference to suppliers who have a strong financial position and a worldwide footprint and who are able to follow them.

After the economic crisis in 2008-2009 Neways experienced strong growth, and this continued in the first half of 2011. As a result, the Company climbed from the 38th to the 32nd position among the top EMS providers worldwide at the end of 2010, and then climbed even further in 2011 to the 28th position in the Top 50 EMS providers worldwide. Within the industrial market segment Neways was in the 10th position worldwide in mid-2011.

Asia has been the main growth market for the EMS sector for several years now. Because this is such an up-and-coming market, more and more OEMs are transferring some of their activities to the Asian market. This trend, which was again noticeable in 2012, is expected to continue, so that more and more production will take place at these local facilities in Asia in the coming years.

At the same time the worldwide EMS market is growing strongly because of a clear trend towards outsourcing at a higher level by OEMs, with the whole product life cycle of an electronic component or system increasingly being outsourced to trusted partners. Outsourcing at a higher level automatically means outsourcing a greater product complexity, with a longer lead time before these products are fully developed. Not only is the trend towards outsourcing at a higher assembly level expected to continue, but the same also applies to the outsourcing of sub-processes such as the development and engineering of these electronic components and systems.

Both trends mean that the working relationship and the exchange of information between supplier and customer are becoming more intensive. As a result of the greater mutual dependence, such interaction is also taking place at an increasingly high level (management, technology), which makes it necessary to re-think the implications of this evolution of one's own organisation. Accordingly, the increased complexity of the issues requires that contracting policy and the design of processes

be regularly scrutinised. In this connection the necessary steps were again taken in 2012 to ensure that the organisation is more closely aligned with customers' wishes.

Cost reduction, shorter lead times, delivery reliability and efficiency remain areas for ongoing attention in our efforts to operate competitively. Maintaining profit margins and retaining market share are paramount. The introduction of LEAN management plays a vital role here and is bringing about a definite change in the way in which the business is approached by the customer. This trend affects the entire logistical chain, and this means that Neways expects a pro-active attitude on the part of its suppliers, with proposals for improvements being put forward continually. In this way suppliers can grow in step with the logistical and production requirements and wishes of the OEMs. This is expected of Neways in the same degree.

Innovative capability, quality, flexibility, delivery reliability and level of service, as well as cooperation, are competencies which will only increase in importance and represent success factors in which Neways, as a niche player, will continue to further differentiate itself in the coming years in order to be able to grow in step with OEMs and to be able to offer them as much added value as possible.

Market trends

- Both in assembly and in development and (sub-) systems there is a clear trend towards outsourcing by large OEMs to suppliers. This trend was accelerated after the economic crisis in 2008-2009 and continued in 2012. The upheaval in the economy in mid-2012 did not alter this. This trend is expected to accelerate in the coming years. OEMs will in this way be able to convert fixed costs into variable costs.
- Further internationalisation and economies of scale in the EMS market are trends that are accelerating, offering not only opportunities for globally operating players who concentrate on high volumes and mass production, but also for specialised niche players such as Neways who focus on added value in combination with medium-sized to small batch production.
- Eastern Europe is increasingly developing into a key region for the European electronics industry. Many prestigious OEMs and EMS firms are benefiting from the cost competitive advantage that this region offers through minimisation of the operational and production costs in connection with volume (batch) production. In an EMS market with many players it is expected that this will be at the expense of small local suppliers in Western Europe.
- OEMs are rapidly expanding their market presence in Asia, particularly in China, by means of local facilities.
- Growing need on the part of larger OEMs for producers who can handle the whole life cycle of a product (life cycle management).
- Greater volatility in market demand as a result of greater uncertainty about economic developments. Orders are more readily deferred and started up again, exerting pressure on the right balance between flexibility, on the one hand, and efficiency and cost reductions, on the other.
- The production and assembly of electronic components and systems by EMS firms is increasingly taking place in Eastern Europe and Asia in order to strengthen competitiveness and to move together with OEMs.
- Globalisation and the deployment of modern means of communication provide opportunities and facilitate closer cooperation and earlier and faster exchange of information between suppliers and customers throughout the EMS chain, permitting appreciable efficiency gains on both sides.
- Mobility of the individual and participation in labour processes are making outsourcing more and more virtual. As a consequence of the shifting of work, workplaces will have to be flexible. Customers increasingly often expect in-house support from their suppliers.

Threats

- Continual uncertainty as a consequence of the global economic crisis and the malaise in the euro zone, which can result in more pronounced fluctuations in demand and strong fluctuations in exchange rates such as the US dollar and the euro.
- Sharp fluctuations in demand for electronic components and systems following the economic crisis in 2008/2009 call for greater flexibility and greater transparency on the part of all companies operating in the supply chain. The introduction of LEAN processes within companies plays a crucial role in providing transparency.
- Not having raw materials or components available on time can result in higher prices for raw materials and inefficiency in production capacity and capacity utilisation, thus creating more pressure on margins.
- Globalisation and increasing transparency by competitors make it necessary to be more creative with the available gross margin in the relationship with the customer.
- Increasing competition in the local European market from American EMS companies opening facilities in Eastern Europe which can be started as greenfield operations and so do not carry a historically acquired legacy.
- More competition from Asian players who are also directly targeting the European market not only with production capacity but also with added value.
- Strong pressure on margins in the high-volume market is creating growing interest in the industrial and medical electronics sector because of the relatively higher margins that these markets offer.
- Overcapacity is the greatest threat. Not only due to overcapacity of OEMs arising from an economic downturn, so that our unused own production capacity will be offered at low prices on the free market in order to cover costs, but also the innovation of the electronics assembly machinery, which means that more and more components can be processed per time unit with increasing accuracy, is leading to unused production capacity in the market.

Competitive advantages

- Ever better utilisation of possibilities for offering complete life cycle management and added value to customers through close cooperation and exchange of expertise between the Neways operating companies.
- Strong focus on specialist niches in the industrial and the professional sectors of the EMS market, with a focus on more complex electronic components and systems.
- Extensive experience with internationally operating high-tech OEMs in the aforementioned sectors.
- Competence centres in Western Europe in combination with production capacity in Eastern Europe and Asia for high-mix/low-volume markets.
- Strong development and engineering arm that has the most up-to-date resources at its disposal for supporting customers at an early stage of their product planning processes.
- A clear business model that is aligned with customers' needs.
 - Operating close to the customer in the main technological and industrial regions in the Netherlands and Germany, so as to be able to offer the desired added value.
 - Having modern production facilities both in Western Europe and in Eastern Europe and Asia, so as to be able to offer customers the most suitable and attractive proposition for each product according to complexity and the phase of the production cycle.
 - Holding company structure for synergy in logistics, purchasing and the exchange of information.
 - Centralised business development, so as to be able to respond quickly to changes in the EMS market, and the facilitation of cooperation between Neways operating companies and with customers and suppliers.
 - A flexible organisation that can react to and move with customers' product schedules.
- Development and production processes that meet all quality requirements both for the support of lead-free and lead-containing components and systems for all relevant market sectors where long-term obligations have been entered into.
- Stock market listed company with a sound financial position, an open, transparent policy and a clear strategy.

Competitive disadvantages (to be overcome)

- The switchover from a product- and industry-oriented mentality to a service- and customer-driven mentality that is more suited to these times has not yet been achieved in all layers of the organisation.
- In areas such as sales, purchasing and development, the expected broadening of activities (life cycle management) calls for an extra focus on the related risks and the need for agreements reaching far into the future.

Information on management of the Company

Neways has an organisational structure in which the holding company acts as the pivot of the whole Neways organisation. It is not only a strategic and financial holding company, but also a managerial holding company with a high degree of involvement in the pooling of resources and exchange of knowledge among the operating companies and the adoption of a joint approach to suppliers and customers.

All the Neways operating companies have their own specific knowledge and expertise and have, within the EMS market, a clearly demarcated field of operations that reduces competition among one another and facilitates cooperation.

Composition of Supervisory Board, Board of Directors and management team

Situation as at 31 December 2012

SUPERVISORY BOARD

Dick Boers (1947)	Chairman
Henk Scheepers (1949)	Vice-chairman
Wim van der Leegte (1947)	
Dick Boers	First appointment 2002 Present appointment until 2014 Nationality: Dutch Positions: Former partner/chairman of the board of Govers Accountants/Consultants Chairman of Stichting EMA Beheer – Eindhoven Chairman of Supervisory Board of Wessem Holding B.V. – Wessem Supervisory Director of CORAM International BV – Geldrop Supervisory Director of Tessa Beheer B.V. – Eindhoven
Henk Scheepers	First appointment 2012 Present appointment until 2016 Nationality: Dutch Positions: Former Senior Vice President ASML/member of Executive Committee/Management Representative of ASML Netherlands BV Supervisory Director of ROC Eindhoven/Summa College Vice-chairman of Point-One Supervisory Director of Brainport Industries Supervisory Director of Diemer en Ramaekers Member of board of BZW Kring Eindhoven Member of Steering Group Solliance Chairman of High Tech NL (from 1 January 2013) Member of board of Holland High Tech (from 1 January 2013)
Wim van der Leegte	First appointment 1997 Present appointment until 2013 Nationality: Dutch Positions: Managing director of VDL Groep B.V. – Eindhoven

BOARD OF DIRECTORS

Vincent de Bok (1956)	CEO/CFO
Huub van der Vrande (1955)	CEO/COO
	Additional position:
	Chairman of Stichting Atlant Partnership – Helmond

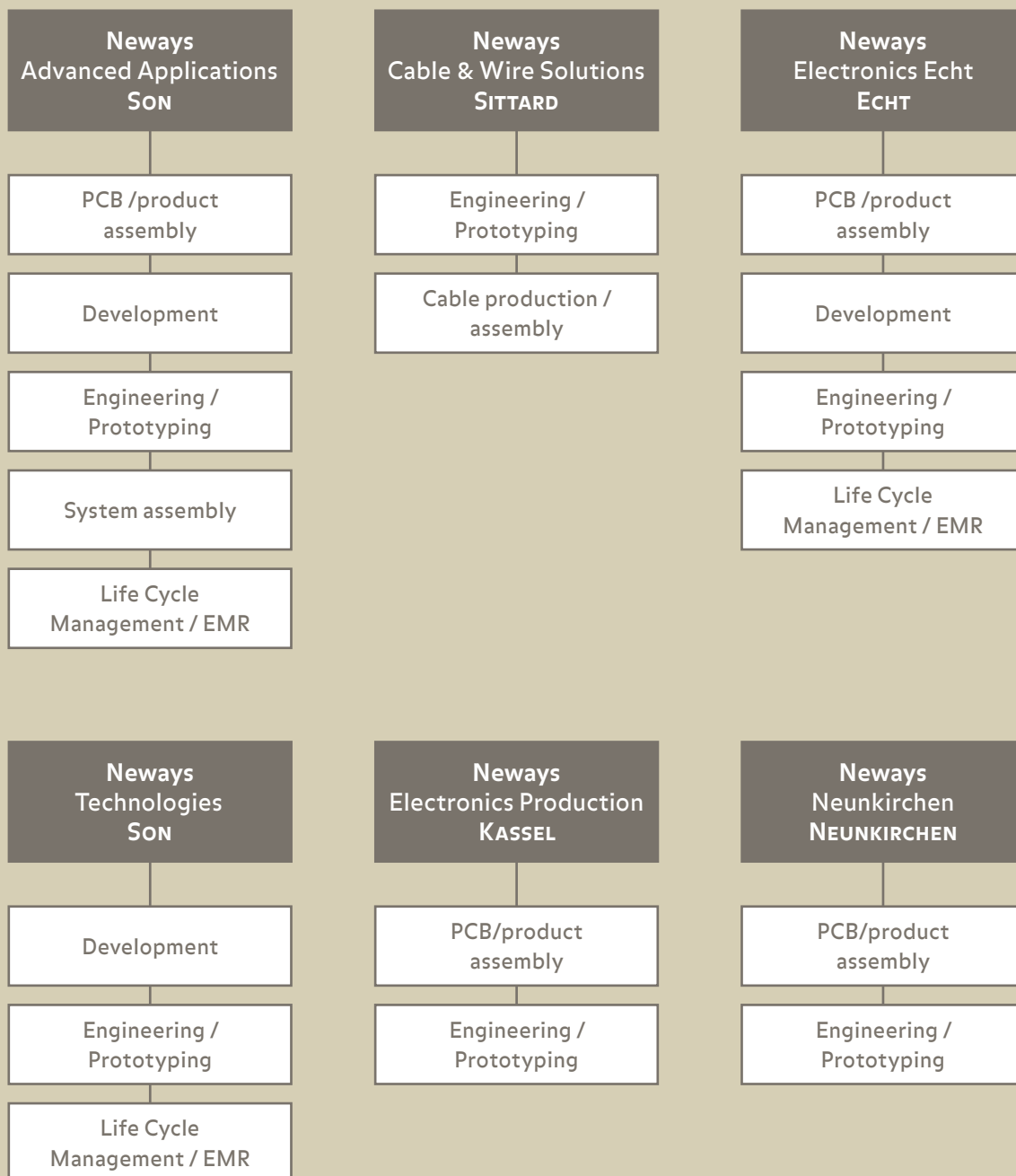
GROUP CONTROLLER

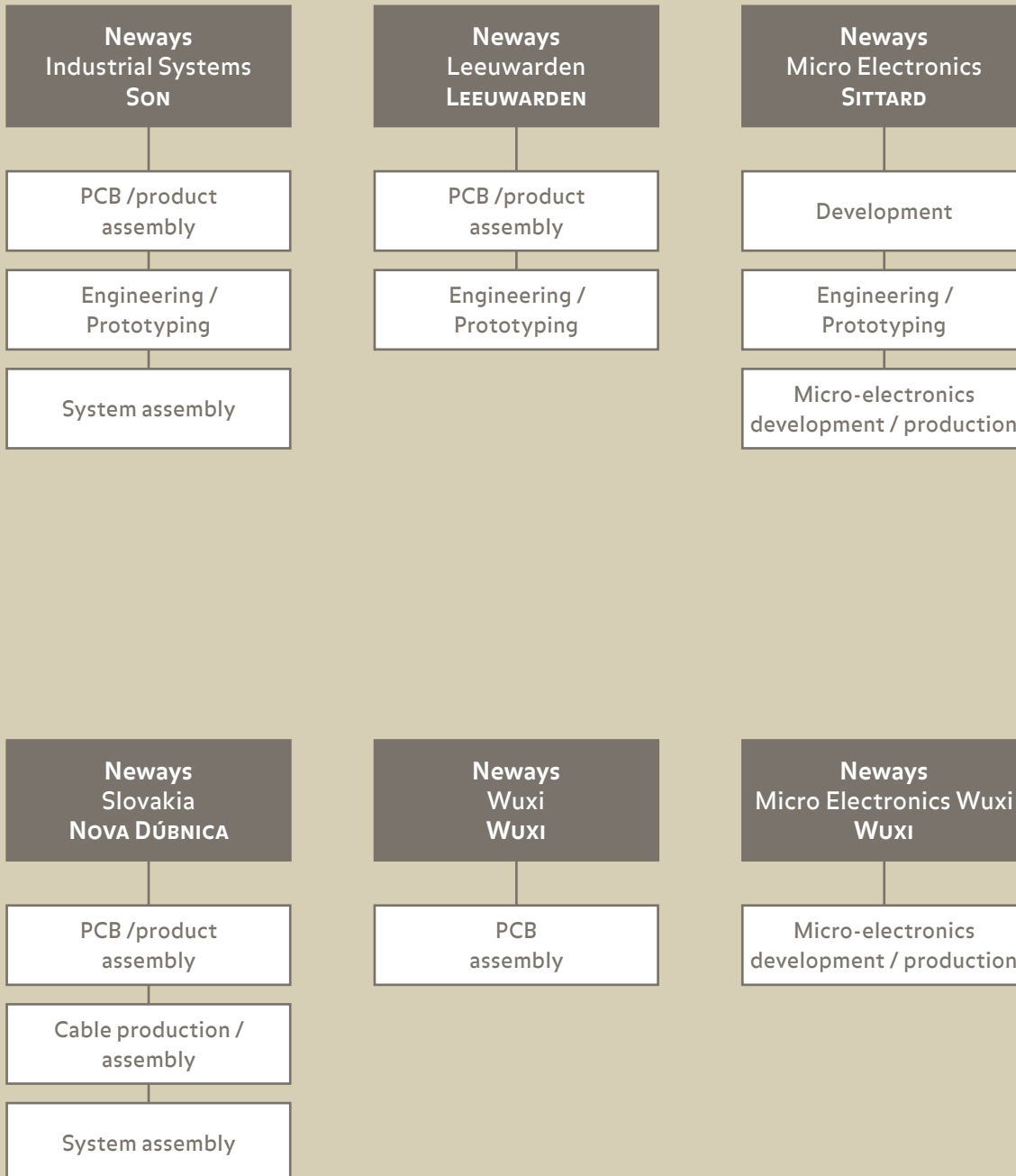
Peter Wisse (1959)

MEMBERS OF THE NEWAYS MANAGEMENT TEAM

Adrie van Bragt (1965)	Managing Director Neways Advanced Applications
Eric in den Bosch (1961)	Managing Director Neways Industrial Systems
Jos Curvers (1964)	Corporate Director Human Resources
Alois Fuchs (1950)	Managing Director Neways Neunkirchen
Wim Gosselink (1957)	Managing Director Neways Micro Electronics
Mark van den Heuvel (1977)	Managing Director Neways Cable & Wire Solutions
Jörg Hupfeld (1968)	Managing Director Neways Electronics Production
Hans Ketelaars (1957)	Managing Director Neways Technologies
Nick Klein (1958)	Corporate Director Strategy & Business Development
Ingmar Krijger (1964)	Director Corporate Purchasing
Jack Kromhof (1951)	Director Cable & Wire Projects & Technologies
Peter Visser (1950)	Managing Director Neways Leeuwarden
Tom van Wanrooij (1958)	Corporate Director ICT
Jacques Zilverschoon (1956)	Managing Director Neways Electronics Echt

Review of operating companies' activities





Strategy and objectives

With continuing technological innovation and progress, it is expected that more and more end products in an increasing number of market sectors will contain electronic components and systems, varying from microchips and printed circuit boards to complete electronic (sub-) systems.

Neways meets this need by offering high-tech total solutions in the field of electronic components and complete ('box build') systems, taking as much work as possible out of the hands of the customers (often large OEMs). This means that Neways's activities increasingly consist of knowledge-intensive development, engineering and prototyping. Development is often carried out in close cooperation with customers, which ensures more efficient batch production and a high-quality product that better meets the customer's requirements.

This greater involvement and closer cooperation at an early stage of the product life cycle means that Neways is in a strong position for follow-up orders in areas like batch production, product modifications and the offering of total solutions to customers.

Neways's long-term strategy is based on a number of core elements, which are set out below.

Strengthening position as one-stop-provider

The EMS market is one in which the complexity of demand from the large Original Equipment Manufacturers (OEMs) in terms of innovation, technology, quality, delivery reliability and level of service is increasing. OEMs are concentrating more and more on their core activities, which means that they are outsourcing more and more activities to specialist companies like Neways.

Neways has deliberately chosen to target specific sectors of the Electronic Manufacturing Services (EMS) market. These niches are all characterised by specialised small and medium-sized batches with a relatively large knowledge component and high added value. The end user of the products for which Neways supplies these advanced components or systems is the professional market and not the consumer market, where it is much more a question of mass production and competing on price.

Neways is seeking to expand these activities and in doing so to act more and more as a one-stop-provider for customised industrial and professional electronic components, assemblies and (sub-) systems.

More added value and greater innovative capability

Neways's role has changed over the years from that of a pure supplier to a tactical and strategic partner for its customers, developing and building electronic components and electronic (control) systems for them or together with them.

Neways's strategy is aimed at further expanding activities with a higher added value and a large technological knowledge component, notably activities in the field of development, engineering and prototyping, with innovative capability also playing an ever more important role within Neways.

Expansion of life cycle management activities

Neways's customers are increasingly asking for integrated total solutions. Neways seeks to facilitate more OEMs in this regard by taking responsibility for the entire project management from development to batch production and further development of advanced components, assemblies and complete (control) systems and in this way taking the work off the customer's hands for that specific product.

Improvement of internal cooperation, quality and service orientation

Knowledge and experience are crucial competencies at Neways. Knowledge forms the basis for the realisation of Neways's strategy as a one-stop-provider. For that reason, all Neways employees are expected to meet high standards. They are the ones who actually have to implement the strategy. The ongoing improvement of the internal working relationships and mutual respect among all levels of the organisation are essential in order to operate as a homogeneous, integrated group with a coherent quality policy, a recognisable culture and a shared vision.

In times when the complexity of demand, in terms of technology, process and service, is continually increasing, transparency and an understanding of customers' needs is crucial. This is essential for performing the role of one-stop providership. The closer the internal working relationship and the better the exchange of information, the earlier and the more frequently Neways will be involved with new initiatives of the customer. Neways's ambition is to perform a first-tier supplier role for all customers, taking direct responsibility for the complete logistical chain, starting with the purchasing of components. By operating openly and transparently with one another, Neways will be able to roll out existing or acquired specialist expertise and know-how within the Group and to offer it as a niche competency to other customers.

Quality and service orientation are differentiating factors for a medium-sized player in the EMS market like Neways. Neways is pro-active in seeking to safeguard and further improve these aspects.

In order to be able to assess customer satisfaction, the Neways management directs the organisation on the basis of qualitative and partly quantitative performance indicators, viz.:

- Optimisation of purchasing and sales management
- Optimisation of operational performances
- Growth of level of service
- Systematic innovation management

Improvements in these performance indicators form the basis for potential profit growth.

The management has a crucial role to play here. Managers are appraised on the basis of, and are accountable for, the results they achieve, their flexibility, their customer orientation and their ability to cooperate, to transfer knowledge and to solve problems jointly. Selection, recruitment and remuneration policy is geared to this.

Intensification of cooperation with customers

Good customer relations, knowing the score, knowing where the needs and possible problem areas are – these things make the difference when it comes to being able to deliver and increase added value for customers.

Neways works together with customers on the basis of an innovation process consisting of three phases: the idea phase, the concept phase and the time-to-market phase. The first and second phases are generally executed by the customers themselves. There is then a lot of pressure to realise the specifications, prototypes and product introduction within a relatively short period of time. To complete such projects successfully, it is essential to have close cooperation and exchange of information with customers.

Other customers concentrate solely on the framework of the product design. In this phase Neways can advise and provide added value on various fronts. For example, it can advise on the raw materials and components to be used, the design of the layout, verifying makeability and testability, the production of prototypes and advice on reducing production costs per unit or per batch.

Differentiation and improving competitiveness

The EMS market is a world market that is very fragmented, with a lot of very small players, a number of medium-sized players and a few very large international players. In this competitive field Neways is a medium-sized player that differentiates itself on the basis of specialist knowledge and concentrates on medium-sized batches of components and systems with a higher added value for the professional market.

To continue to improve competitiveness, production and assembly facilities are increasingly being shifted to Eastern Europe and Asia. Neways aims for a balanced distribution of production capacity in Western Europe on the one hand and in Eastern Europe and Asia on the other hand, depending on the complexity of the products.

This means that batches of more complex and knowledge-intensive electronic components and systems are developed and produced closer to, and in close cooperation with, the customers. Fully developed, stable and less complex batch production is eminently suited to be contracted out to our own production companies in Slovakia and China. These operating companies produce primarily on behalf of the Neways operating companies in Western Europe, though they are also increasingly supplying products to the local facilities of large OEMs in Asia.

At the same time, as part of the efforts to improve our competitiveness, things like strict cost control, management of working capital, more flexible working and the improvement of purchasing, logistical and production processes are continually monitored in order to achieve further improvements in efficiency. Neways is also seeking to increase its purchasing activities in Asia in order to improve its competitiveness. Selection criteria such as quality and delivery reliability play a crucial role here.

Promoting the personal development of employees

The development of employees is an important focus at Neways. There is a framework for talented employees to advance professionally within the Company, and an active policy is pursued to facilitate this.

The importance of personal development and growth matches to a large extent the dynamics of the various sales markets served by Neways. Sales markets in which customers have the most varied requirements and count on innovative solutions provide a challenging field of work for talented technical and commercial personnel.

The development meetings with employees go further, therefore, than an appraisal and a review of performance. Rather the emphasis is on looking forward, looking at what the employee's needs are and what capabilities are needed in the future.

Neways is working on a multi-year competency development plan. Instead of identifying what skills are lacking in an employee's current work, the emphasis is placed on the sales markets and customers that an employee is, or will be, involved with. In this way the development needs are ascertained and the competency development programme is devised in consultation with the employee.

Growth

Neways aims first of all for organic growth, endeavouring to expand the activities with existing large customers (OEMs). It also actively seeks to attract large new customers, looking primarily for the combination of high added value, small and medium-sized batches and market sectors that offer attractive possibilities for further growth.

Neways's growth strategy is also aimed at reducing the Company's vulnerability to fluctuations in the EMS market, which means making conscious choices to expand specific disciplines and particular market segments. This policy is pursued to a large extent organically.

In addition to organic growth, targeted acquisitions are pursued. Partly due to the economic crisis, the competitiveness of many small players in particular is coming under pressure, and this provides Neways with opportunities. At the same time the market offers good opportunities to take on certain activities from large OEMs because of the continuing trend towards outsourcing more and more non-core activities to trusted partners with the capacity and the ability to manage those activities well in terms of quality and delivery reliability.

Geographically, the opportunities for acquisitions that are sought are in the regional industrial and technological clusters within Europe (notably in Germany and Belgium), preferably close to large OEMs. The competencies that are sought are in development, engineering and systems assembly. To reduce the vulnerability to market fluctuations (notably as a consequence of the semiconductor sector), acquisitions are also sought in sectors with a less cyclical character or an anti-cyclical character, such as medical and defence.

Financial objectives

The years following the eruption of the credit crisis in 2008 have made it clear that there is a new reality within which Neways has to operate. The volatility of market demand has been at an unprecedentedly high level in the years after 2008 and sometimes even within a single financial year. If macro-economic uncertainties diminish, there will be fewer extreme peaks and troughs in demand. However, volatility can be expected to remain at a higher level than in the period before the crisis.

This means that Neways will have to respond even better to situations that can change from one day to the next. Faster-changing market sentiments will have to be factored in. The organisation has to be as flexible as possible if we are to continue to serve customers in optimum fashion. Good management of purchasing processes, inventory management and production capacity have always played an important role, but they will become even more important if we are to achieve good profitability in the coming years.

In combination with the unabating strength of our competitors we expect that, on the basis of this new reality, we shall be faced in the coming years with somewhat stronger pressure on operating margins. In boom years Neways has an operating margin target of 7%, but for this a normalisation of the EMS market will first be necessary, with a decrease in the volatility of demand.

As regards the financial position, Neways aims for a minimum solvency ratio of 35%. The solvency ratio is defined in this context as the guaranteed capital divided by the total capital, adjusted for deferred tax assets, goodwill and other intangible fixed assets. This percentage is set taking into account the capital-intensive and partly cyclical nature of the Company's activities.

As regards the dividend distribution, the primary assumption is that 30% of the net profit is distributed as dividend, subject to a solid financial position, including a solvency ratio of at least 35%.

Competencies

	Western Europe	Eastern Europe	Asia
Added value	High	Mid	Low
Degree of re-engineering	Frequent	Less frequent	Stable product
Batch volume	Low-Mid	Mid-High	Mid-High
Batch complexity	High	Mid	Low
Degree of automation	High	Mid	Low/much manual
Logistical planning	Complex/shorter delivery times	Less complex	Simple
Sales market	Western Europe	Western Europe	Western Europe/Asia

Corporate governance

The Supervisory Board and the Board of Directors subscribe to the main principles of corporate governance. Good corporate governance is important to Neways. The Company is committed to compliance with the Code and the central aspects of transparency and shareholder involvement. Neways's corporate governance policy, including the relevant regulations and reports, can be found on the Company's website. The corporate governance policy is periodically evaluated in all its points. The ethics policy developed by Neways in 2011 came into effect on 1 January 2012. Consequently, from 2012 Neways complies with the written code of conduct in accordance with Best Practice II.1.3. There have been no changes to the points below in relation to 2011.

As regards three specific best practice provisions in the Code, Neways wishes to report as follows:

Best practice II.3.2 to II.3.4:

No transactions took place in the reporting period involving a conflict of interests among directors.

Best practice III. 6.1 to III.6.3:

No transactions took place in the reporting period involving a conflict of interests among supervisory directors.

Best practice III.6.4:

All transactions which took place between Neways and natural or legal persons who hold at least ten per cent of the shares in Neways were agreed on conditions which are customary in the sector.

Non-applications of the Dutch Corporate Governance Code

Neways applies all the provisions of the Code, with the exception of the following best practice provisions of the Code:

- Members of the Board of Directors are appointed for an indefinite term. Appointment for a fixed term as prescribed by the Code implies a risk for the implementation of the Company's policy, which is of a long-term nature (Best practice II.1 .1). Moreover, contractual arrangements entered into with members of the Board of Directors before the coming into force of the Code are maintained by Neways.
- Because of the scale of the Company and the related size of the Supervisory Board, no specific committees have been established within the Supervisory Board (Best practice III.5.1). The role of the audit committee is performed by the full Supervisory Board.
- The Company has an open culture that makes it possible to report possible irregularities without jeopardising the legal position of the person concerned. There is therefore no whistleblowers charter (Best practice II.1 .7).
- Neways does not make provision for webcasting to enable presentations to analysts or investors to be viewed (Best practice IV.3.1).

- Neways does not have written regulations governing ownership of, and transactions in, securities in other listed companies by board members and supervisory directors, as this is regarded as the personal responsibility of the members of the Board of Directors and the members of the Supervisory Board (Best practice III. 6.5).
- There is no maximum term of appointment for Supervisory Board members. Neways is of the opinion that supervisory directors' experience and their knowledge of the Company should determine the term for which they are appointed. After a term of four years a supervisory director may, after careful consideration, be re-appointed for four years (Best practice III.3.5).
- In view of the scale of the company there is no internal audit function (Best practice V.3.3).

In selecting candidate members of the Board of Directors and the Supervisory Board, the aim is to have a mixed composition with regard to such factors as age, experience, expertise, personality, gender and social background. At present, diversity cannot be said to exist with regard to the representation of both men and women on the Supervisory Board.

Proposed new members of the Supervisory Board and the Board of Directors are selected primarily on the basis of experience, expertise and personality and secondarily on the basis of gender and social background.

Protective measures

Neways is a company that is subject to the two-tier rules (*structuurvennootschap*), but does not have an administratiekantoor ("*administration office*") and therefore does not split the legal and beneficial ownership of shares.

Board of Directors

Role

The Board of Directors is responsible for the strategy and the management of Neways and its activities and for the result that is achieved. It meets frequently, visits the operating companies every two months and receives detailed progress reports weekly and monthly. It is also responsible for compliance with all relevant legislation and regulations and the operation of the risk management and internal control system. The Board of Directors performs its duties under the supervision of the Supervisory Board.

The Board of Directors reports on the Company's strategy and objectives on page 50. The implementation of this strategy and the progress achieved in the reporting period are dealt with in the Report of the Board of Directors, which begins on page 16. More information about the main risks, the management thereof and the Board's statement on the operation of the internal control system can be found on pages 64 through 69.

Appointment

The Supervisory Board appoints the members of the Board of Directors. The General Meeting of Shareholders is notified of a proposed appointment. Members of the Board of Directors are appointed for an unspecified period of time. The Board of Directors provides all information in good time and makes available the resources necessary for proper performance of the Supervisory Board's supervisory duties. Since July 2003 the Board of Directors has been composed of two members, who jointly perform the function of CEO. Members of the Board of Directors are not permitted to have more than two supervisory directorships and must not hold the position of chairman of the supervisory board of another company. More information about the composition of the Board of Directors is given on page 47.

Suspension and dismissal

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

Remuneration

The General Meeting of Shareholders adopted at the meeting of 6 March 2005 the remuneration policy for the Board of Directors that had been prepared by the Supervisory Board. The remuneration of the individual members of the Board of Directors will be determined by the Supervisory Board within the parameters of this policy.

Following the revisions made to the Corporate Governance Code on 10 December 2008, changes have been made to the Board of Directors' Remuneration Report. These changes were submitted to the General Meeting of Shareholders held on 23 March 2010 and adopted. The remuneration report can be found on the corporate website: www.neways.nl.

The present remuneration package of the members of the Board of Directors falls well within the guidelines of the Code and consists of a basic salary and variable remuneration (a bonus). On the proposal of the Supervisory Board, the members of the Board of Directors also receive each year a number of stock options. These options cannot be exercised until three years after they have been issued. In the event of termination of employment before the expiry of this three-year period, the options are cancelled. The contractually agreed termination benefit is a maximum of one year's salary. Neways has no outstanding loans to members of the Board of Directors. Nor have any guarantees been provided to them. More information about the remuneration of members of the Board of Directors can be found in the notes to the financial statements on page 119.

Supervisory Board

Role

The role of the Supervisory Board is to supervise the policies of the Board of Directors and the general affairs of the Company and its affiliated enterprises, as

well as to assist the Board of Directors by providing advice. In discharging its role, the Supervisory Board is guided by the interests of the Company and its affiliated enterprises, and takes into account the relevant interests of the Company's stakeholders, taking as its guideline the basic principles of responsible entrepreneurship. The Supervisory Board and its members are individually responsible for demanding from the Board of Directors and the external auditor all information that the Supervisory Board deems necessary for the proper performance of its supervisory role. In this connection it may also obtain information from officers and external advisors of the Company or from its own advisors. The Company is expected to provide the necessary funds for this. The Supervisory Board's report on its activities in the past financial year is contained on pages 75 through 79 of this annual report.

Appointment

Members of the Supervisory Board are (re-) appointed by the General Meeting of Shareholders for a period of four years. When a new appointment is to be made the Supervisory Board will have the right of nomination based on the Profile Sketch of the Supervisory Board which it has itself drawn up. Following the revisions to the Corporate Governance Code of 10 December 2008, changes have been made to the Profile Sketch for members of the Supervisory Board. These changes were adopted at the General Meeting of Shareholders held on 23 March 2010. The amended profile sketch can also be found on the corporate website www.neways.nl. The Works Council has a greater right of recommendation for one-third of the number of supervisory directors. This recommendation may be adopted by the Supervisory Board.

The Supervisory Board appoints a chairman and a vice-chairman from among its members. The chairman must not be a former member of the Board of Directors. In view of the Company's size, there is no formal induction programme for supervisory directors.

For more information about the composition of the Supervisory Board and the relevant additional positions of its members, please refer to page 46.

Suspension and dismissal

The General Meeting of Shareholders has the right to dismiss the whole Supervisory Board. Individual supervisory directors cannot directly be dismissed by the General Meeting of Shareholders.

Remuneration

The General Meeting of Shareholders may, on the proposal of the Supervisory Board, award an emolument to the supervisory directors. Such an emolument is not related to the Company's results.

More information about the remuneration of supervisory directors is given in the financial statements on page 120.

General Meeting of Shareholders

Adoption of resolutions

General Meetings of Shareholders are held at least once a year. All resolutions are adopted in accordance with the principle of 'one share, one vote'. Shareholders are entitled – singly or jointly representing at least 1 % of the issued share capital – to request the Board of Directors or the Supervisory Board to place certain items on the agenda. Such requests will be honoured if they are submitted in writing by shareholders at least 60 days before the date of the General Meeting of Shareholders.

Following the revisions made to the Corporate Governance Code on 10 December 2008, the Board of Directors reserves the right to invoke a response time if a shareholder intends to request the placing on the agenda of an item that could lead to the changing of the Company's strategy.

Important resolutions of the Board of Directors which involve a change in the identity or the character of the Company have to be approved by the General Meeting of Shareholders. Such resolutions include, but are not limited to, those relating to the transfer of the whole Company or almost the whole Company, entering into or discontinuing long-term alliances or partnerships and acquiring or disposing of investments in associates to the value of at least one-third of the consolidated balance sheet total.

The policy regarding the distribution of the profits and dividend, as well as the proposal on the distribution of a dividend, will be submitted separately to the shareholders. The same applies to substantial changes in the corporate governance policy, including any changes in the remuneration policy of the Board of Directors.

Main tasks of the shareholders' meeting

To sum up, the General Meeting of Shareholders of Neways Electronics International N.V. has the following important powers:

- Adoption of the financial statements
- Discharging the Board of Directors from liability for the performance of its management duties
- Discharging the Supervisory Board from liability for its supervision of the management
- Adoption of the distribution of profits and the dividend
- Approval of resolutions of the Board of Directors regarding a major change in the identity or the character of the Company
- Adoption of major changes in the Company's corporate governance policy
- Appointment of members of the Supervisory Board
- Dismissal of the whole Supervisory Board
- Adoption of the remuneration policy of the Board of Directors
- Determination of the remuneration of the individual members of the Supervisory Board

- Taking decisions with regard to the issuance of shares, granting rights to take shares (options) or to designate the Board of Directors to adopt resolutions to that effect during a particular period, if necessary with the exclusion of the pre-emption right accruing to shareholders
- Appointment of the external auditor
- Resolutions to alter the articles of association on the basis of a proposal by the Board of Directors
- Authorisation of the Board of Directors to purchase shares in the Company's own capital.
- The external auditor is present each year at the General Meeting of Shareholders. In view of the Company's size, Neways does not employ an internal auditor.

Announcement of General Meeting of Shareholders

The notice of the meeting, the agenda and the notes to the agenda for the General Meeting of Shareholders to be held on 18 April 2013 are published on the Neways corporate website.

Provision of information

Neways attaches great importance to open and transparent communication with its providers of capital and the financial community in general. Neways maintains regular contact with analysts and investors, as well as the financial media that form the most important source of information for private shareholders. The presentations that Neways gives to analysts and (institutional) investors and at press conferences are available on the website after publication. In its communications with these target groups Neways bases itself on information that is published via press releases.

Additional information is provided to shareholders throughout the year, for instance via the annual report, the corporate website (www.neways.nl) and the General Meeting of Shareholders and the annual visit to an operating company.



Customer Focus Teams

Background left to right:

Roel Simkens (Planner CFT Healthcare, Neways Advanced Applications)

Xander Welles (Account Manager CFT Healthcare, Neways Advanced Applications)

Jan Verhoeven (Senior Buyer NPI, Philips Healthcare)

Foreground left to right:

Sandra Sinck (Senior Purchaser Service Parts Magnetic Resonance, Philips Healthcare)

Eveline Söder (Sales Support CFT Healthcare, Neways Advanced Applications)

Neeraj Mathur (Director – EMS and Outsourcing Commodity, Philips Healthcare)

Pierre Peeters (Business Manager CFT Healthcare, Neways Advanced Applications)

Bart-Jeroen van der Bent (Senior Director Purchasing MR, Philips Healthcare)

Customer Focus Teams

"Philips recognizes the value and benefit of the Neways Customer Focus Teams. Over the last year we have accomplished a lot together, and the motivations and focus of these teams have helped drive a strong spirit of cooperation".

Neeraj Mathur
Director - EMS and Outsourcing Commodity
Philips Healthcare

Neways, with its various operating companies, works for a range of customers who expect us to take a pro-active approach at an early stage. Creating a number of Customer Focus Teams (CFT) enables Neways to be involved in new projects as a knowledge partner right from the beginning. All the disciplines required are brought together in a CFT. In a team these disciplines are sales, engineering, logistics, quality and purchasing, and they are jointly responsible for successfully collaborating with the customer and of course for the final result.

By creating CFTs we can support the customer in an efficient way, not only showing a complete understanding of the customer's wishes and requirements but also reducing noise and misinterpretations to a minimum. Creativity, fast response times and clear communications contribute to successful results and optimum life cycle management.

The complete CFT for Philips Healthcare consists of Petra de Groot, Eveline Söder, Hue Wijnands, Roel Simkens, Mart Hogeweg, Xander Welles, Marc van Ooijen, Wil van den Heuvel, Joris Ummels, Wesley Bastian and Pierre Peeters.

Together we are smarter. By creating 'smartnerships' we combine the best available knowledge to achieve the best result. Focusing on our customers does not mean, however, that we lose our focus on our operations. In this way we can make the business a success for both parties.

Risk factors and risk management

Internal control and reporting

An up-to-date inventory of the risks to which a company is exposed and optimum control of these risks are indispensable at all times. The reporting system is of vital importance in this connection. The operating companies report on a weekly basis their figures for turnover and orders received. Every month a consolidated report is prepared in which the main financial and operational indicators are recorded, such as turnover, profit and loss, orders received, investments, employees, accounts receivable, accounts payable, inventory levels, delivery performance and efficiency. The Board of Directors visits the operating companies every two months.

Every quarter a consolidated balance sheet and an income statement are prepared with a statement of the key financial figures, including a statement of cash flows. This includes forecasts of the income statement and cash flow statement for the financial year as a whole, as well as a balance sheet forecast for the end of the financial year.

A copy of the consolidated monthly and quarterly reports is sent to the Supervisory Board.

The main risks identified by Neways and the way in which they are managed are discussed below.

1. Market risks and commercial risks

Economic risks

Neways is a supplier of industrial electronics and thus operates in the Electronic Manufacturing Services (EMS) market. Market fluctuations can cause demand for Neways's products and services to increase or decrease. This volatility of demand has increased right across the business since the economic crisis in 2008. Macro-economic uncertainties and sentiments are causing demand to fluctuate much more in the course of a year than in the period before the crisis.

These are variables that also affect Neways, a new reality marked by considerable market volatility. Sentiment in the financial markets and the continuing uncertainty regarding the European economy continue to play a major role, and this was clearly reflected in the global EMS market, where customers were not only more cautious but orders were more readily deferred and for longer periods.

There is ongoing consultation at all hierarchical levels between customers and Neways in order to anticipate changing schedules in optimum fashion. At the same time every effort is made to make the organisation even more flexible and to facilitate the activities and deployment of people and resources more broadly throughout the organisation. In this way Neways is better able to compensate for the (short) cyclical movements in the EMS market or more specific cyclical movements in particular market sectors, such as the semiconductor industry.

Investment risks

OEMs, the major global players in the manufacturing industry, increasingly wish to produce closer to their customers and, on the other hand, are seeking cheaper alternative production locations. Each OEM makes his own choices, and the considerations on which they are based may change over time. Neways wishes to follow the OEM in this regard. It is essential to properly consider all the economic and financial risks before making a decision to invest. Frequent, regular discussion between OEMs and Neways at management level should guarantee the right decision at the right time.

Risks in relation to labour market scarcity

Neways is advancing to the status of a knowledge-intensive, higher-added-value organisation. This means that, particularly for its Western European operating companies, employees with higher education will form an increasingly large proportion of the total workforce. As a result of this shift towards the knowledge side of the Western European operating companies, production can and will be outsourced more and more to the Neways operating companies in Eastern Europe and China.

A shortage of developers and engineers with a technological education could eventually restrict Neways's growth. Where possible, Neways conducted a clear and proactive recruitment and selection policy in 2012, at the same time making modifications where necessary in order to successfully recruit and keep highly qualified personnel through the provision of attractive training programmes, career and promotion prospects and, of course, an appropriate remuneration policy.

2. Operational risks*Project risks*

The conditions governing delivery to customers are laid down in customer orders. As well as prices and the specifications of the products, other elements are laid down such as schedules and the flexibility therein. This is in order to guarantee as far as possible the delivery reliability and the quality of the delivered products. The policy is aimed at working as much as possible on the basis of make-to-order: all activities in the purchasing and manufacturing process are not set in motion until the customer has placed a firm order. In the case of cancellation the costs incurred, such as the inventory costs of purchased components, are spread through the logistical chain. Under this procedure the financial risks for Neways are minimal. Often, however, because of delivery times, purchasing activities are carried out on a customer's forecast. If the forecast is not converted into a firm order, or if the firm order is postponed, Neways runs a financial risk. This risk is mainly reflected in inventory costs and/or the cost of particular components becoming obsolete. As far as possible, understandings are reached on this with both suppliers and customers.

Risks in relation to environmental requirements

Environmental legislation and regulations are developing very quickly. Thus, under the regulations of the European Union it has no longer been permitted, since 1 July

2006, to use lead for soldering in some market segments. This is expected to apply to the whole EMS market from 2015.

This means that logistics and production processes have already been, or will have to be, modified to a certain extent, not only at Neways, but also throughout the supply chain in the electronics industry. Neways started carrying out the inventories and making the preparations for this changeover at an early stage. The necessary investments for modifications to the wave-soldering machines and reflow ovens were made in good time. All Neways facilities are capable of lead-free production.

REACH is a European decree on chemical substances that came into force in 2007. REACH stands for Registration, Evaluation and Authorisation of Chemicals. Essentially, this decree means that in principle a company has to know the hazards associated with all the substances that it produces, processes or sells to customers and must take measures (also for the company itself) to control these hazards. It is a new European decree that replaces previous rules, such as the Environmentally Hazardous Substances Act (Wms) in the Netherlands. The aim of REACH is to protect people and the environment against hazardous chemical substances. With the introduction of these regulations the onus of responsibility for proper risk control of chemical substances has shifted to industry. Neways too has devoted due attention to this matter and has ascertained, in consultation with its suppliers, whether the materials supplied comply with these guidelines.

Risks in relation to ICT systems

Nearly all the Neways operating companies are connected to a central server at the head office in Son. This guarantees the standard organisation of the logistical and financial processes. The possible failure of these (BaaN IV) systems represents an operational risk, though Neways has covered and therefore minimised this risk in various ways, for instance via an internal and external back-up system. Neways also gives high priority to internal control measures such as access security and separation of functions. The new ERP environment also provides for improvements and extensions of functionality in this regard.

In 2008 the Next Generation project started, with the first preparations for the replacement of the BaaN IV systems with a new Infor ERP LN system, the successor to BaaN IV. The project is being tackled very thoroughly by Neways and as far as possible with broad involvement of our own employees in project groups. The risks associated with the implementation of, and changeover to, a new system have been identified. The main risk is that the implementation could lead to a disruption of the business processes and consequent delivery problems.

All the fully developed modules have now been tried out in a test environment and uniformity has been created in the operating processes. A start will be made in the second half of 2013 on the first physical implementation of the new ERP system at Neways Advanced Applications. Implementation will then proceed step by step in one operating company after another.

To maintain the stability of the present ERP platform BaaN IV, this platform has migrated to a modern environment and immediately prepared for conversion to the new ERP platform.

As well as the implementation of the new ERP system in 2013, a start will also be made on a migration project for the replacement of the office automation platform. From 2014 no more maintenance will be carried out by the suppliers on the present applications. Two companies have been asked to conduct an independent feasibility study, after which a decision will be taken on how the office automation at Neways is to be replaced.

3. Financial risks

Liquidity and solvency risks

Neways has appreciably reduced its debt position in the past few years, thus substantially improving its financial position and enabling itself to continue to invest sufficiently in the organisation, even in difficult times. In this sense, also having regard to the partly cyclical nature of the Company, a conservative financial policy is being followed, with management of working capital as a very essential element. Liquidity and solvency risks are managed on the basis of the internal control and reporting systems.

As regards the financial position, Neways aims for a minimum solvency ratio of 35%, solvency being defined here as the guaranteed capital divided by the total capital, adjusted for deferred tax assets, goodwill and other intangible fixed assets. This percentage is set taking into account the capital-intensive and partly cyclical character of the Company.

Risks in relation to inventory

The total inventory position can be divided into free stock, order-related stock and semi-manufactures. The main risk is with the free stock, as this is not covered by concrete orders. Free stock comes into being as a result of the fact that the minimum order size for components is sometimes greater than required for a particular order. It is often possible to use the free stock in future orders for existing or new products/customers, though the problem may occur that identical components sometimes have separate coding according to customer, which means that there is limited exchangeability. The use of the UAC system (uniform article coding) considerably reduces this risk and contributes significantly to managing the inventory risks. Intensive monitoring of the free stock is a prerequisite for reducing the risk of components becoming obsolete.

Risks in relation to accounts receivable

In a period of market stagnation or market decline, many of Neways's customers are affected by declining turnover and profits. And they in turn often have to deal with customers who are experiencing difficult financial circumstances. Consequently, there is increased pressure in the supply chain to pay later than has been agreed. There is then a growing likelihood of parties getting into financial difficulties. Neways gives a high priority to managing this risk, both in a period of market decline

and in one of growing demand, and always keeps a close eye on bad debts and the accounts receivable portfolio. Furthermore, Neways has a credit insurance policy for almost the entire accounts receivable portfolio.

Supplier financing agreements have been concluded with two large customers, so that invoices are paid within a few days after the invoice date. This has appreciably reduced the outstanding balance of accounts receivable and hence the risk in relation to accounts receivable.

4. Reporting risks

For the monthly reporting the Neways Group makes use of reports generated from a centrally controlled and managed ERP system (BaaN IV). Investments in associates in foreign currencies are translated into euros on a monthly basis. Receivables from, and debts to, group companies are reconciled monthly for correct inclusion in the consolidation process and their elimination.

Accounting principles and closing procedures are prepared centrally by the holding company and issued to the operating companies. Correct compliance is monitored by the holding company.

Statement on internal control

The Board of Directors is responsible for the design and operation of the internal risk management and control systems. The purpose of these systems is twofold. On the one hand, the purpose is to manage as effectively as possible the main risks to which the Company is exposed. On the other hand, it is a matter of achieving the operational and financial objectives and ensuring compliance with legislation and regulations. The Board of Directors manages the risks partly by means of continual monitoring of the operational performance on the basis of the weekly and monthly assessment of financial and non-financial indicators. The operating companies are visited every two months and operational aspects are discussed. Furthermore, the organisation is designed so as to guarantee minimum separation of control functions within the Group. Such systems cannot provide certainty that the Company's objectives will be achieved or that all inaccuracies of material significance, loss, fraud and infringements of laws and rules can be fully prevented. Risk management and control is a subject that is regularly discussed between the Board of Directors and the Supervisory Board.

The risk management and control system has the constant attention of the board and is an essential part of the management of the business.

On the basis of what is stated above, the Board of Directors states that, to the best of its knowledge:

- The risk management and control systems provide a reasonable degree of certainty that the financial reporting contains no inaccuracies of material significance;
- the risk management and control systems worked properly in the reporting period.

Information for shareholders

Stock exchange listing

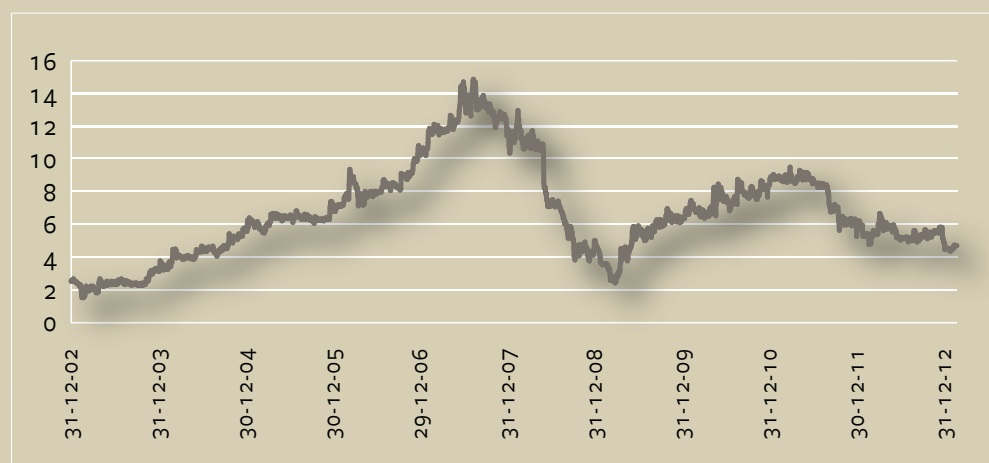
Neways ordinary shares are listed on NYSE Euronext in Amsterdam. In 2012, SNS Securities acted as liquidity provider for the Neways shares. This working relationship will be continued in 2013.

Share price

Macro-economic developments and sentiments in the light of the international debt crisis again had a major effect on the price of Neways shares in 2012. On 21 February 2012 the share price reached its highest level of the year at € 6.65, up 23% on year-end 2011. Under the impact of the fall in demand in the EMS market in the fourth quarter and the subsequent downward adjustment of the forecasts, the share price fell at year-end 2012 to € 4.67, which represents a fall of 13.5% for the year as a whole.

Closing price 30 December 2011	€ 5.40
Lowest price 2012	€ 4.33 (3 December 2012)
Highest price 2012	€ 6.65 (21 February 2012)
31 December 2012	€ 4.67

Development in the value of ordinary Neways shares



Share capital

Neways has only one type of outstanding share. These ordinary shares have a nominal value of € 0.50 per share.

As a result of the exercising of employee options and the distribution of dividend in the form of shares, the number of outstanding ordinary shares increased from 9,833,794 at year-end 2011 to 9,943,206 at year-end 2012.

The following table shows the number of outstanding ordinary shares at year-end and the weighted average number of such shares.

Number of outstanding ordinary shares

	2012	2011
At year-end	9,943,206	9,833,794
Weighted average	9,941,328	9,825,279

Neways does not operate a collective (optional) share purchase plan for its employees.

Shareholders/Share ownership

In connection with the Disclosure of Major Holdings in Listed Companies Act, the following shareholders are known to have an equity participation of more than 5%:

VDL Beleggingen B.V.	28.2%
Stichting Administratiekantoor Tymen	22.1%
Todlin N.V.	10.6%
Menor Investments B.V.	9.3%
Otterbrabant Beheer B.V.	6.1%

The greater part of the ordinary outstanding shares is held by investors in the Netherlands.

Approximately 3% of the outstanding shares are held directly or indirectly by members of the Board of Directors and other Neways executives. The percentages relate to the total outstanding share capital of 9,943,206 as at 31 December 2012.

Dividend policy

Neways aims for a dividend of 30% of the net profit. It is a condition for the distribution of a dividend that the solvency ratio (guaranteed capital adjusted to take account of deferred tax assets, goodwill and other intangible fixed assets/total equity) should be 35% or higher. With a percentage of 45.4% per year-end 2012, Neways met the latter condition in the past financial year.

On the basis of the profit posted for 2012 of € 0.04 per share (excluding the write-down of the deferred tax asset in Germany), it will be proposed to the General Meeting of Shareholders to distribute a dividend of € 0.012 per share for the financial year 2012, to be paid in cash. This represents a pay-out ratio of 30%.

Options

Options on shares are granted annually to the members of the Board of Directors and other officers as part of their remuneration package under the terms of a resolution adopted by the Supervisory Board. This resolution will be submitted to the General Meeting of Shareholders for its approval. Targets that have been met and targets that are to be met in the future by the individual manager's operating company, as

well as the manager's individual performance, are taken into account in decisions on the granting of options.

The exercise price is equal to the stock market price on the date on which the options are granted. The term of the outstanding options is at least 3 years. An option entitles the holder to an ordinary Neways share. Neways's options policy does not make provision for buying shares in order to offset the effect of dilution as a result of the exercising of options.

In 2012, 15,000 options were granted to each of the members of the Board of Directors, and 32,500 options in total were granted to other officers, with an exercise price of € 5.60 and a term of five years. In the reporting period, 2,500 options were exercised by members of the Board of Directors and other officers. More information about the options granted to the members of the Board of Directors can be found on page 115 of this annual report.

Financial calendar

26 February 2013	Publication of annual figures for 2012 / Annual Report 2012
18 April 2013	General Meeting of Shareholders*)
18 April 2013	Publication of interim trade report
28 August 2013	Publication of half-year figures for 2013
5 November 2013	Publication of interim trade report

*) The General Meeting of Shareholders for the financial year 2012 will be held at the Evoluon in Eindhoven, beginning at 2 p.m.

Prevention of the misuse of inside information

The existing regulations, as contained in the Model Code, with regard to both the internal and the external treatment of price-sensitive information are periodically reviewed and, if necessary, tightened by the addition of internal guidelines. The regulations relate not only to the Supervisory Board and the Board of Directors, but also to the management level below the Board of Directors and all staff officers who have access to price-sensitive information. Neways has a compliance officer to ensure that the regulations are adhered to.

Investor relations

In order to inform private and institutional investors as fully as possible, Neways engages in active and systematic communication regarding its business performance. As well as communicating on the annual and half-year figures, interim and other reports and the customary meetings with financial analysts, the press and shareholders, on 18 September 2012 a Neways Open Day was held at the operating company Neways Micro Electronics in Sittard. Approximately 60 shareholders attended. Presentations were given by the members of the Board of Directors, and shareholders were also given a tour of the production facility of Neways Micro Electronics. The visit gave shareholders the opportunity to have an informal exchange of views with members of the Board of Directors. Two members of the Supervisory Board also attended the open day.

The key terms of corporate governance, namely openness (i.e. transparency and accountability) towards the shareholders and involvement in the Company by those shareholders, are central to Neways's policy. In this connection it is important to provide the shareholders with the information needed to be able to appraise and, if necessary, correct the quality of the management, for instance by devoting attention to communication on the Company's strategy and its implementation and on the way in which decision-making proceeds.

Being listed on the stock market acts as a stimulus to Neways, while critical scrutiny by shareholders, analysts and the press provides the motivation to be extra thorough in the way one conducts business. A stock market listing also has definite advantages for the Company's commercial and HRM policy, since the transparency that this entails is of benefit to our relations with the customer and helps Neways in the recruitment and selection of new personnel.

Neways thanks all its shareholders for their support in the year under review and for their faith in the management and the organisation. The pursuit of stable foundations together with a clear strategy is indispensable for an organisation that wishes to be a good employer, a good business partner and a good investment, also in the future. In combination with the confidence that has been shown, this solid basis provides the motivation to continue in the future our efforts to build a successful Neways.

More information about Neways shares can be found at www.neways.nl. You may also contact us by email (info@neways.nl) or by telephone (040 267 92 01).

Statement by the Board of Directors

in accordance with art 5:25c of the Financial Supervision Act (Wft).

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

- The financial statements 2012 give a true and fair view of the assets, the liabilities and the financial position as of 31 December 2012 and the result for 2012 of Neways Electronics International N.V. and the group companies included in the consolidated statements;
- The annual report gives a true and fair view of the state of affairs as of 31 December 2012, the business performance during 2012 of Neways Electronics International N.V. and of its affiliated group companies included in the consolidated financial statements, and that the annual report describes the significant risks with which the Company is confronted.

Vincent de Bok
CEO/CFO

Huub van der Vrande
CEO/COO

Report of the Supervisory Board

With continuing macro-economic uncertainties and sentiments, the volatility of customer demand was again considerable in the past year. This was particularly noticeable in the fourth quarter, when various customers at the same time scaled down their plans and deferred planned orders.

Such a large decline in demand inevitably affects Neways's profitability. By reacting relatively quickly it was possible to limit the losses in the fourth quarter, but such sharp rises and falls in demand call for a lot of management attention and great flexibility on the part of the Neways organisation. It only underlines once again that being close to the customer and thinking ahead together with the customer, and hence anticipating changes as much as possible, are more important than ever in the current economic climate.

Financial statements and discharge of directors from liability

The financial statements for the financial year 2012 prepared by the Board of Directors have been submitted to the Supervisory Board and discussed in detail with Ernst & Young Accountants, registered accountants. Ernst & Young Accountants have examined the 2012 financial statements and issued an unqualified report thereon. Their report appears on page 129 of this annual report.

The Supervisory Board has ascertained that the report of the Board of Directors for the year 2012 satisfies the requirements of transparency and that the financial statements give a true and fair view of the Company's financial position and profitability. It will therefore be proposed to the General Meeting of Shareholders that it adopt the financial statements and discharge the Board of Directors and the Supervisory Board from liability in respect of the policy pursued in the past financial year and the supervision thereof, respectively.

Net result and dividend

A net result of – € 0.4 million was posted in 2012. This loss includes a write-down of the deferred tax asset in Germany of € 0.8 million. The Board of Directors has decided, with the approval of the Supervisory Board, to distribute a dividend of € 0.012 per share for the financial year 2012, based on the result excluding the write-down of this tax asset. This proposal is in line with the dividend policy and amounts to 30% of the adjusted net result of € 0.4 million. The Supervisory Board recommends to the General Meeting of Shareholders that it adopt this profit appropriation.

Composition of the Board of Directors

No changes were made to the Board of Directors in 2012. The two-member Board of Directors consists of Vincent de Bok (CFO) and Huub van der Vrande (COO), who were both appointed for an indefinite term. The two members jointly perform the duties of CEO.

Composition of the Supervisory Board

Mr Theo van Deursen completed his third and last four-year term as a member of the Supervisory Board in the financial year 2012. He has been succeeded by Mr Henk Scheepers, who was appointed as a member of the Supervisory Board for a four-year term by the General Meeting of Shareholders held on 19 April 2012. Mr Scheepers has also taken on the role of vice-chairman.

The composition of the Supervisory Board complies with the guidelines of the Corporate Governance Code. The Supervisory Board has a balanced membership which, in terms of experience, expertise and independence, enables it to perform its various tasks properly.

Candidates for the Supervisory Board and the Board of Directors are selected primarily on the basis of experience, expertise and personality and secondarily on the basis of gender and social background. In seeking a candidate replacement for Mr Van Deursen the Supervisory Board followed a thorough procedure, conducting a wide search for suitable candidates irrespective of gender. To ensure a balanced composition of the Supervisory Board, considerable strategic and operational management experience, expertise and a network in strongly technology-driven markets were the main criteria which candidates for the vacant position had to fulfil. The Supervisory Board does not intend to make changes to the selection process in the future. It should also be borne in mind here that, with three members, the Supervisory Board of Neways is limited in size.

Because of the scale of the Company and the related number of three members, it is considered that it would not make sense to establish separate committees within the Supervisory Board. Consultation and decision-making therefore take place always within the full Supervisory Board. The Supervisory Board also makes targeted use of the specific expertise of each of the members.

As the longest-sitting member of the Supervisory Board, Wim van der Leegte has a wealth of experience as entrepreneur/owner of the VDL Group. Dick Boers is in his third term as a supervisory director and has a strong background going back many years in finance and business administration, as well as management experience. With the appointment of Mr Henk Scheepers the Supervisory Board has strong expertise in markets that are relevant to Neways. He has held various executive positions at companies including DAF Trucks and ASML.

The current four-year term of Mr Van der Leegte as a member of the Supervisory Board will come to an end immediately after the General Meeting of Shareholders to be held on 18 April 2013. He has indicated that he does not wish to make himself

available for re-appointment. The Supervisory Board is at present holding talks with a number of candidates for the vacant position.

Work

The Supervisory Board held five formal meetings with the Board of Directors in 2012, one of them in the presence of the auditor Ernst & Young.

As well as discussing the financial performance, a number of important strategic and operational issues were fully addressed in 2012, such as strengthening the development activities, making the Neways organisation more flexible, manpower levels in the operating companies and the effectiveness of the leadership provided by the management teams of the various operating companies.

In this connection a lot of attention was focused on the completion of the reorganisation announced in the preceding year at Neways Electronics Production in Kassel (Germany), including the replacement of the management. In particular, there were detailed discussions on how the manpower level there could be structurally improved through the strengthening of the commercial activities and customer relations, improvement of the working relationship with other Neways operating companies and smarter design of the local organisation.

Among the subjects discussed in detail with the auditor were the design and operation of the internal risk management systems. Also discussed in this connection was the progress of the Next Generation project, which is aimed at centralising the internal control procedures more by means of the ERP system that is being implemented.

The working relationship between the Supervisory Board and the Board of Directors can be characterised as very direct, pro-active, transparent and respectful. The two boards form a perfectly attuned team, though at the same time an independent critical attitude determines the way in which they operate. The rapidly changing market conditions in the past few years and the impact that this has on Neways's activities are issues that are continually addressed by the Supervisory Board.

The chairman of the Supervisory Board also attended one of the meetings of the Central Works Council (CON), discussing such questions as the strategy and the development of earnings.

The Supervisory Board met once in 2012 without the presence of the Board of Directors, discussing such matters as its own performance, the performance of the Board of Directors and the remuneration policy. In addition to the formal meetings, there was regular informal consultation in the course of the year among the members of the Supervisory Board themselves and with the members of the Board of Directors and the CON.

Remuneration of the Board of Directors

As every year, the remuneration policy was evaluated by the Supervisory Board. The principles underlying the remuneration policy can be found on page 58 of this annual

report and on the Neways corporate website (www.neways.nl). In line with these basic principles, the members of the Board of Directors receive remuneration which is set annually and consists of a basic salary and variable remuneration. It should be noted that the basic salary and the variable remuneration are in proportion to each other and that the level and composition is benchmarked against comparable positions in the market. The variable portion of the remuneration is made dependent upon a combination of financial, operational and personal performance criteria. For the longer term a share option scheme forms part of the remuneration package, with a minimum term of three years for share options.

In November the Supervisory Board again set the remuneration of the members of the Board of Directors. In 2012 the members of the Board of Directors were jointly awarded a total of 30,000 options with a maximum term of five years and an exercise price of € 5.60. For further details of the remuneration of the members of the Board of Directors, please refer to page 119 of this annual report.

Corporate Governance Code

The Corporate Governance Code has been discussed at length in talks between the Supervisory Board and the Board of Directors in recent years. The policy has also been discussed several times with the shareholders.

Neways complies with the majority of the recommendations contained in the Code and the choices were endorsed by the General Meeting of Shareholders of 22 March 2005.

On 10 December 2008 the Monitoring Committee presented its revised Corporate Governance Code. The Supervisory Board and the Board of Directors of Neways have familiarised themselves with this and considered these recommendations at length in the periodic evaluation of the corporate governance policy in 2009.

A few brief changes were made to the corporate governance policy in 2009 in response to these revisions of the Corporate Governance Code. These changes were discussed at the General Meeting of Shareholders held in March 2010. In 2012 the ethics policy developed by Neways in 2011 came into effect, so that Neways complies with the Best Practice provision II.1.3.

Contacts with shareholders

The Supervisory Board supports the Board of Directors' policy of maximum transparency and involvement of all shareholders.

Contacts with the shareholders are mainly via the Board of Directors, but the Supervisory Board recognises the importance of direct communication with the shareholders. The General Meeting of Shareholders was the main opportunity in 2012 to have a formal and informal exchange of views. In addition, the shareholders had the opportunity to talk informally with members of the Supervisory Board during the Neways Open Day held on 18 September 2012.

Remuneration of Supervisory Board

The members of the Supervisory Board received in 2012 a regular emolument which is not related to the Company's results. Further details concerning this can be found on page 120 of this annual report.

Appreciation for management and workforce of Neways

Neways again faced a turbulent and challenging year in 2012. The continuing macro-economic uncertainties and sentiments that are globally impacting confidence do not make it any easier for a company to operate in a balanced fashion and to grow in the EMS market. In such conditions it is of the utmost importance to focus on maintaining a stable financial position with sufficient flexibility and scope for the implementation of the long-term strategy.

Neways has proved in the past years that it is able to come through turbulent times of extreme fluctuations in demand. The past year was one in which great demands were again made on the anticipatory capabilities and the flexibility of the Neways organisation in order to be able to serve customers well in conditions of rapidly changing market sentiments and considerable pressure on profitability.

The Supervisory Board would therefore like to express its appreciation to all the employees, the management and the Board of Directors for their unflagging motivation, commitment, flexibility and perseverance.

Son, 25 February 2013

Supervisory Board
Dick Boers (Chairman)
Henk Scheepers (Vice-chairman)
Wim van der Leegte



Next Generation Team

From left to right:

Peder Jaspers (Controller Neways Advanced Applications)

Dorianne van Trommelen (Repair Coordinator)

Erik Borghouts (Consultant Technical Applications Corporate ICT)

Ad van Hoek (Business Alignment Manager Corporate ICT)

Eric van Oostveen (Team Leader Component Management Neways Technologies)

Geert Scheepers (Operations Manager Neways Advanced Applications)

Next Generation Team

Under the project name Next Generation, the first preparations were made in 2008 for replacing the present BaaN IV system with a new ERP system. The main reason for replacing the present system was the growing need for more cooperation between the operating companies, supported by Neways's automated systems. The new ERP system that offers more and new functionalities will facilitate the desired closer working relationship between employees of the various Neways operating companies and a more efficient deployment of people and resources for the entire Neways Group. At the same time the new ERP system will result in a reduction of the number of applications.

The market has a growing need for functionalities like traceability and product life cycle management. At the same time, by replacing the system Neways is striving to provide better support for one-stop providership. In this way, customers and suppliers experience the cooperation with the different operating companies as a contact with Neways as a single group. Because of the available experience and know-how the Next Generation project is being carried out with many of our own employees. A selection of these employees can be seen on the photograph.

To be able to interact effectively and efficiently with customers and suppliers and among Neways operating companies it is important that standard operating procedures should be defined. The operating processes have been rewritten and implemented in a new ERP system and its periphery. The final result is known as the Kernel.

The Kernel has been built in project groups, each of which has a different domain. They have been working hard on this in the past few years and this kernel will be completed in 2013.

In 2013 the first implementation of the new ERP system will take place at Neways Advanced Applications. Implementation will subsequently be introduced step by step in the other operating companies.

2012 Financial Statements

CONSOLIDATED BALANCE SHEET

Amounts x EUR 1,000 as at 31 December

Notes

2012

2011

Fixed assets**Property, plant and equipment**

Land and buildings	6	3,417	3,417
Plant and equipment	6	12,439	13,397
		15,856	16,814

Intangible assets

Software	7	2,017	1,057
Goodwill	7	2,754	2,754
Other	7	0	13
		4,771	3,824

Deferred tax assets

8

1,066 **1,830****Total fixed assets****21,693** **22,468****Current assets****Inventories**

Raw materials and consumables	9	44,038	46,659
Work in progress	9	9,478	13,238
		53,516	59,897

Receivables

Trade receivables	10	25,875	29,748
Other receivables		927	1,094
Derivatives	11	0	40
Corporate income tax		124	0
		26,926	30,882

Cash**407** **752****Total current assets****80,849** **91,531****TOTAL ASSETS****102,542** **113,999**

Amounts x EUR 1,000 as at 31 December	Notes	2012	2011
Equity			
Issued and paid-in capital	11	4,971	4,916
Share premium		29,942	29,990
Retained earnings		13,427	14,390
Other equity components	11	316	328
Equity attributable to holders of equity instruments in the parent company		48,656	49,624
Minority interests		0	0
Total equity		48,656	49,624
Long-term liabilities			
Interest-bearing borrowings	13	742	707
Provisions	14	0	35
Pension commitments	15	3,860	3,874
Deferred tax liabilities	8	1,463	1,263
		6,065	5,879
Current liabilities			
Bank overdrafts	13	6,191	2,968
Interest-bearing borrowings	13	291	354
Trade and other payables	17	34,162	46,595
Taxes and social security premiums		7,120	6,186
Corporate income tax		0	1,628
Provisions	14	57	765
		47,821	58,496
TOTAL EQUITY AND LIABILITIES		102,542	113,999

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amounts x EUR 1,000	Notes	2012	2011
Revenues		274,276	283,901
Movements in work in progress and finished products		-512	1,828
Raw materials and consumables		-164,606	-170,800
Employee expenses	18	-79,743	-79,203
Amortisation and depreciation	19	-4,177	-4,912
Other expenses	20	-22,855	-23,419
Operating results		2,383	7,395
Finance costs	21	-969	-747
Result before taxation		1,414	6,648
Tax charge	8	-1,825	-2,843
Net result		-411	3,805
Other comprehensive income			
Foreign exchange differences arising from translation of non-Dutch associates		18	-34
Net movement in the value of cash flow hedges		-40	40
Impact of tax on profit		10	-10
		-30	30
Other comprehensive income after tax		-12	-4
Total comprehensive income after tax		-423	3,801
Net result attributable to:			
- Holders of equity instruments in the parent company		-411	3,811
- Minority interests		0	-6
		-411	3,805
Total comprehensive income attributable to:			
- Holders of equity instruments in the parent company		-423	3,807
- Minority interests		0	-6
		-423	3,801
Earnings per share (in EUR):	22		
- Net earnings per share attributable to holders of ordinary shares in the parent company		-0.04	0.39
- Diluted net earnings per share attributable to holders of ordinary shares in the parent company		-0.04	0.38

CONSOLIDATED CASH FLOW STATEMENT

Amounts x EUR 1,000	Notes	2012	2011
Operating activities			
Result before taxation		1,414	6,648
Adjusted for:			
Depreciation on property, plant and equipment	6	4,078	4,677
Amortisation on intangible assets	7	99	235
Costs of employee options granted	16	89	67
Finance costs	21	969	747
Movements in provisions and pension commitments		-757	760
Movements in working capital *)		-1,235	1,513
		4,657	14,647
Other movements:			
Interest expense paid		-750	-796
Corporate income tax paid		-2,593	-1,704
Cash flow from operating activities		1,314	12,147
Investing activities			
Acquisition of activities	5	0	-2,868
Payments to acquire intangible assets	7	-1,046	-701
Payments to acquire property, plant and equipment	6	-3,146	-6,701
Proceeds from disposals of property, plant and equipment	6	0	16
Cash flow from investing activities		-4,192	-10,254
Financing activities			
Proceeds from interest-bearing borrowings		409	657
Redemptions of interest-bearing borrowings		-437	-725
Increase/decrease in withdrawals from bank overdrafts		3,223	-1,208
Dividends paid to holders of equity instruments in the parent company		-641	-599
Revenues from exercise of options		7	299
Acquisition of minority interest	5	0	-124
Cash flow from financing activities		2,561	-1,700
Movements in cash		-317	193
Net currency exchange difference		-28	-1
Cash as at 1 January		752	560
Cash as at 31 December		407	752
*) Movements in working capital			
Inventories		6,381	-8,115
Receivables		3,997	9,671
Trade and other payables		-12,547	-825
Taxes and social security premiums		934	782
		-1,235	1,513

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to holders of equity instruments in the parent company						Minority interest	Total equity
	Issued and Notes paid-in capital	Share premium	Retained earnings	Reserve for cash flow hedges	Foreign currency translation reserve	Total		
Amounts x EUR 1,000								
Balance as at 1 January 2011	4,842	29,765	11,307	0	332	46,246	-66	46,180
Profit for the financial year			3,811			3,811	-6	3,805
Other comprehensive income				30	-34	-4		-4
Total comprehensive income	0	0	3,811	30	-34	3,807	-6	3,801
Exercise of options	11	21	278			299		299
Issuance of share options	16		67			67		67
Dividends	12	53	-53	-599		-599		-599
Acquisition of minority interests			-196			-196	72	-124
Balance as at 31 December 2011	4,916	29,990	14,390	30	298	49,624	0	49,624
Profit for the financial year			-411			-411	0	-411
Other comprehensive income				-30	18	-12		-12
Total comprehensive income	0	0	-411	-30	18	-423	0	-423
Exercise of options	11	1	6			7		7
Issuance of share options	16		89			89		89
Dividends	12	54	-54	-641		-641		-641
Balance as at 31 December 2012	4,971	29,942	13,427	0	316	48,656	0	48,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. INFORMATION ABOUT THE GROUP

The consolidated financial statements of Neways Electronics International N.V. as at 31 December 2012 are presented to the General Meeting of Shareholders for their adoption on 18 April 2013. Neways Electronics International N.V. is a company incorporated and domiciled in the Netherlands, whose shares are traded publicly.

Neways Electronics International N.V. and its subsidiaries together form the Group. The Group is an international one-stop provider for advanced and integrated electronic components and systems for the industrial electronics sector.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of presentation of the financial statements

The consolidated financial statements are presented based on historical cost. The consolidated financial statements are denominated in euros, and all amounts are rounded off to the closest thousand (EUR 000), unless noted otherwise.

Declaration of correspondence

The consolidated financial statements of Neways Electronics International N.V. and its subsidiaries are presented in accordance with the International Financial Reporting Standards (IFRS), as accepted within the European Union and as applicable at the close of the financial year.

Consolidation principles

The consolidated financial statements include the financial data of Neways Electronics International N.V. and its subsidiaries as at 31 December. These data are presented in accordance with the full consolidation method, based on uniform accounting principles. Adjustments are made to match any differences in valuation principles to those of the parent company. As a result, the financial data of the group companies are wholly included in the consolidation. Third-party shares in the group results for 2011 consist of the share in the results of Neways Micro Electronics Wuxi Co. Ltd. that does not accrue to the Group, and are presented separately in the income statement. All intercompany payables and receivables and all intercompany transactions, including unrealised gains and losses on intercompany transactions, are wholly eliminated. Subsidiaries are defined as those businesses in which Neways Electronics International N.V. exercises effective control. The moment at which effective control is acquired is also the moment at which a new subsidiary is included in the consolidation. Consolidation is continued until such a time as the effective control ceases. Changes in ownership interests in subsidiaries that do not lead to loss of control are presented in the accounts as equity transactions.

The companies included in the consolidation are listed in item 23 of the Notes.

Company financial statements

The financial statements of Neways Electronics International N.V. are presented making use of the exemption set out in Section 402, Book 2 of the Netherlands Civil Code with regard to the income statement. These financial statements have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code, making use of the IFRS principles as adopted within the European Union and as applied in the consolidated financial statements.

2.2. Changes in accounting principles

The accounting principles are consistent with those of the previous financial year, with the following exceptions:

With effect from 1 January 2012, the Group has adopted the following amended IFRS standard. The adoption of this revised standard has no effect on the Group's financial position or results.

- IFRS 7 Financial instruments: Disclosure – Disclosure of transfers of financial assets, in force since 1 July 2011

2.3. Summary of important accounting principles

Operating segments

The Group's long-term strategy is aimed at reinforcing its position as a one-stop provider for client-specific industrial and professional electronic components and systems for the Electronic Manufacturing Services (EMS) market. Intensive working relationships and clear communications between the various Neways operating companies ensure that clients on that market are serviced as best possible, and that clients have a single contact for their dealings with the Group.

The Western European operating companies of Neways play an important part in promoting the Neways strategy of being a one-stop provider. Those operating companies are close to the buyers, both in terms of their dealings with clients and in the geographical sense. The operating companies in Eastern Europe and Asia focus primarily on producing larger, less complex, stable series, with a view to achieving cost advantages for their clients. Most of this production is commissioned by sister companies in Western Europe.

Continual improvement to the intra-Group cooperation at all levels within the organisation is a vital factor in ensuring that the Group operates as a homogenous, integrated group of businesses with coherent policies for quality, recognisable culture aspects and a shared vision.

The decisions made by the Group's management are based on its own assessments and direct communications with all parties involved. Financial control is based on consolidated information. As such, Neways does not use segments as meant in IFRS 8.

Consolidated cash flow statement

The consolidated cash flow statement has been prepared using the indirect method. Cash flows denominated in foreign currencies are translated at the average foreign exchange rate. Foreign exchange differences connected to cash are presented separately in the cash flow statement. Interest received and paid and taxes on income are also presented under the cash flows from operating activities. The cash flow statement also takes account of the effects of sales and acquisitions of group companies and subsidiaries included in the consolidation for the first time.

Business combinations and goodwill

Business combinations are presented according to the acquisition method, which involves presenting the identifiable assets and the obligations and contingent liabilities assumed at fair value, including those not previously presented by the party acquired. Costs relating to the acquisition are taken directly to the income statement.

If the business combination is realised in separate phases, the fair value of the interest held by the surviving party in the party acquired will be recalculated as at the acquisition date and changes in value will be taken to the income statement.

Goodwill originating from a business combination is stated at cost upon first inclusion, i.e. the difference between the cost of the business combination and the Group's interest in the net fair value of the identifiable assets, obligations and contingent liabilities. If the cost of a business combination is less than the net fair value of the assets and liabilities acquired, the difference is taken directly to the income statement.

The goodwill is subsequently valued at cost, net of any accumulated impairment losses. At least once every year, the Group ascertains whether its goodwill has been subject to any impairment losses, if events or altered circumstances point toward the possibility that the carrying amount has undergone an impairment. For the purposes of this impairment test, the goodwill originating from business combinations is allocated to the Group's cash-generating units, or groups of such units, that are expected to profit from the synergy resulting from the business combination with effect from the acquisition date, regardless of whether any of the Group's other assets and liabilities are allocated to those units or groups of units. Impairments are identified based on an assessment of the recoverable value of the cash-generating unit (or group of cash-generating units) to which the goodwill pertains. The calculation of the recoverable amount is based on a discount of the estimated future cash flows, using a discount rate after tax that takes account of the current market assessments of the time value of money and the specific risks associated with the asset. If the recoverable value of that cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment is taken.

Impairments of goodwill are not reversed if the recoverable value subsequently increases.

Translation of foreign currencies

The currency in which the consolidated financial statements are denominated is the euro, which is also the Group's functional and reporting currency. Every group entity determines its own functional currency, and the line items presented in the financial statements of each entity are measured based on that functional currency.

I) Transactions and balance sheet items

Transactions in foreign currencies are presented at the foreign exchange rate for the functional currency as at the transaction date when first included in the financial statements. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate for the functional currency as at the balance sheet date. Any differences are taken to the income statement, except differences on permanently invested loans to non-Dutch associates that serve to finance those non-Dutch entities, which are taken directly to equity until the net investment concerned is disposed of, when they are included in the profit or loss.

Non-monetary line items stated at historic cost in foreign currencies are translated at the foreign exchange rates as they applied on the dates of the original transactions. - Non-monetary line items stated at fair value and denominated in foreign currencies are translated at the foreign exchange rate as at the date on which the fair value is calculated.

II) Group companies

As at the reporting date, the assets and liabilities of the non-Dutch entities are translated into the Group's reporting currency (i.e. the euro) at the rate on the balance sheet date and are taken to the income statement at the weighted average foreign exchange rate during the year. The foreign exchange differences resulting from translation are accounted for directly, in a separate equity component. Upon the disposal of any non-Dutch entities, the deferred cumulative amount included in equity for that non-Dutch entity is taken to the income statement.

Financial instruments

Financial assets

Financial assets are stated at fair value upon their first inclusion.

The Group's financial assets consist of cash and of trade and other receivables.

After their initial presentation, trade and other receivables are stated at amortised cost, if necessary net of any impairments. Gains and losses are taken to the income statement when the receivables are no longer included on the face of the balance sheet or when they undergo an impairment.

Derecognition of financial assets

Financial assets (or, if applicable, parts of financial assets or parts of groups of similar financial assets) are no longer presented on the face of the balance sheet if the entity is no longer entitled to the cash flows generated by the asset in question.

Impairments of financial assets

Every year, as at the balance sheet date, the Group assesses whether any financial assets or groups of financial assets have been impaired. A financial asset, or group of financial assets, has only been impaired if that impairment can be objectively demonstrated based on one or more events that occurred after the asset's initial recognition and if the impact of those events on the estimated future cash flows of the financial asset or group of financial assets can reliably be estimated.

Financial liabilities

Financial liabilities are stated at fair value upon their first inclusion, and in the case of borrowings include the directly allocable transaction costs.

The Group's financial liabilities consist of trade and other payables, bank overdrafts and interest-bearing borrowings.

Upon initial recognition, the financial liabilities are subsequently stated at amortised cost, based on the effective interest method. Gains and losses are taken to the income statement when the payables are no longer included on the face of the balance sheet, or based on the amortisation process.

Derecognition of financial liabilities

Financial liabilities are no longer presented on the face of the balance sheet once the consideration connected to the liability in question has been fulfilled, has been cancelled or has lapsed.

Replacements of existing financial liabilities by others from the same lender, under manifestly different conditions, and material changes to the conditions governing an existing liability are regarded as derecognitions of the original liability from the face of the balance sheet and the recognition of a new liability. The difference between the carrying amounts in question appears on the income statement.

Offset of financial instruments

Financial assets and financial liabilities are only offset against one another and reported at the net amount on the face of the balance sheet if a legally enforceable right exists to offset the amounts in question and if the intention exists to effect a net offset, or to realise the assets with a simultaneous offset of the liabilities.

Derivative financial instruments and risk hedging

The Group occasionally uses derivative financial instruments (derivatives) in the form of currency forward contracts to hedge its currency risks. When first included in the financial statements, these derivative financial instruments are presented at fair value as at the date on which the contract was taken out. The fair value is subsequently recalculated. Where used, derivatives are presented as assets if the fair value is positive and as liabilities if it is negative.

Gains and losses resulting from changes in the fair value of derivatives are taken directly to the income statement, with the exception of the effective part of cash flow hedges, which is presented under other comprehensive income.

When the Group enters into hedging transactions, it formally designates and documents the hedge relationship, as well as the Group's purpose in terms of risk management and its strategy when entering into the hedging transaction. The documentation also states the details of the hedging instrument, the position or transaction hedged, the nature of the hedged risk and how the Group will assess the effectiveness of changes in the fair value of the hedging instrument for compensating for the risk of changes in the fair value of the hedged position or cash flows attributable to the hedged risk. Such hedges are expected to be effective for achieving compensation for changes in fair value or cash flows that are attributable to the hedged risk and are continually assessed. The hedges have been found in fact to be highly effective during the reporting periods for which the hedges were intended.

Cash flow hedges that meet the strict conditions for hedge accounting are presented as follows. The portion of the gain or loss on the hedging instrument that is found to be an effective hedge is included directly in the reserve for cash flow hedges, as other comprehensive income, while the non-effective portion is presented directly under finance costs in the income statement. If the projected transaction is no longer expected to take place, the accumulated gain or loss that was initially included in equity is transferred to the profit/loss. If the hedging instrument reaches the end of its term, is sold or is terminated, or if its designation as a hedge is cancelled, any accumulated gain or loss that was initially included in the other comprehensive income will remain in the other comprehensive income until the projected transaction occurs.

Derivative instruments that are designated as hedging instruments and are effective are classified in the same manner as the underlying hedged item. If reliable allocation is possible, the derivative instrument is divided into a fixed portion and a current portion.

Property, plant and equipment

Plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. The costs of day-to-day maintenance are taken directly to the income statement. The cost also includes the costs of replacing parts of the plant and equipment, if those costs meet the conditions for recognition on the face of the balance sheet.

The carrying amounts of plant and equipment are tested for impairment losses if any events or changes in circumstances indicate that the carrying amount might not be realisable.

Land and buildings are stated at cost, net of depreciation on buildings and net of any accumulated impairment losses, if applicable.

Depreciation is calculated on a straight-line basis, 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

Tangible fixed assets are no longer recognised on the face of the balance sheet if disposed of or if no future economic benefits are expected from their use or disposal. Any gains or losses arising from the removal of the asset from the face of the balance sheet (which are calculated as the difference between the net proceeds upon disposal and the asset's carrying amount) are taken to the income statement during the year in which the asset is removed from the balance sheet.

The asset's residual value, economic life and measurement methods are assessed at the end of the financial year, and if necessary adjusted.

Lease contracts

Management's opinion as to whether an arrangement constitutes or includes a lease contract is based on the substance of that arrangement, and requires assessing whether the performance of the arrangement is contingent upon the use of one or more specific assets and whether the arrangement grants the right to use the asset.

Operational lease payments appear on the income statement as expenses during the lease period, on a straight-line basis.

Intangible assets (not including goodwill)

Intangible assets acquired separately are measured at cost upon initial recognition. After the measurement upon initial recognition, intangible assets are stated at cost less accumulated amortisation, and less any accumulated impairment losses, if applicable. Finite-lived intangible assets are amortised over their useful lives, and tested for impairment losses if there is any indication that the intangible asset concerned might have been impaired. The amortisation periods and methods for finite-lived intangible assets are assessed at least once annually, at the end of each financial year. Any changes to the expected useful life or to the expected pattern of future economic gains of an asset are accounted for by way of an amendment to the amortisation period or method, and are treated as a change in accounting estimates. The amortisation costs associated with finite-lived intangible assets appear on the income statement. Gains or losses stemming from removals of intangible assets from the face of the balance sheet are calculated as the difference between the net proceeds upon disposal and the asset's carrying amount, are taken to the income statement at the moment of removal.

Impairments of non-financial assets (not including goodwill)

The Group assesses whether there is any indication as at the reporting date that any assets have been impaired. If any such indication is detected, or if an asset is required to undergo its annual impairment testing, the Group estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of the value in use or the fair value of that asset or cash-generating unit net of the selling expenses. The recoverable amount is calculated for each asset individually, unless that asset does not generate any cash flows that are largely independent from those of other assets or groups of assets. If an asset's carrying amount is higher than its recoverable amount, the asset is deemed to have been impaired, and its value is lowered to the recoverable amount. The calculation of the value in use is based on a discount of the estimated future cash flows, using a discount rate after tax that takes account of the current market assessments of the time value of money and the specific risks associated with the asset. Impairment losses on continued operations appear in the income statement and are recognised in the expense category that corresponds to the function of the asset in question.

Every year, as at the reporting date, the Group assesses its assets (not including goodwill) to determine whether there is any indication that impairment losses previously recognised have ceased to exist or have been reduced. If any such indication is detected, the recoverable amount is estimated. Impairment losses previously recognised are only reversed if the estimate used to determine the asset's recoverable amount has changed since the most recent impairment loss. In such an event, the asset's carrying amount is raised to the recoverable amount. However, the increased amount may not exceed the carrying amount as it would have been calculated, net of amortisation and depreciation, if no impairment losses had been recognised for the asset in previous years. Such reversals are recognised in the income statement.

Inventories

Inventories are stated at the lower of cost or net recoverable value.

The additional costs of bringing a product to its current location and condition are accounted for as follows:

Raw materials and consumables	- Purchase price, using the First In, First Out formula
Work in progress	- Direct costs of materials and labour, plus parts of the non-variable production costs based on normal operating capacity, but excluding finance costs

The net recoverable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs for settling the sale.

Cash

Cash on the face of the balance sheet consists of bank balances and cash.

For the purposes of the consolidated cash flow statement, cash consists of the liquid assets as defined above.

Provisions

General

Provisions are formed if the Group has an existing liability (contractual or actual) as a result of a past event, if it is probable that an outflow of resources that encompass economic benefits will be required to settle the liability, and if a reliable estimate can be formed of the amount of the liability. If the Group expects a provision, or part of a provision, to be compensated, for example under an insurance contract, that compensation is only recognised as a separate asset if it is virtually certain. The costs associated with provisions are taken to the income statement, net of any compensation. If the time value of money has any material effect, the provisions are discounted at a discount rate after tax that takes account of any specific risks associated with the liability in question, if applicable. Increases in discounted provisions caused by the passing of time are recognised as finance costs.

Provision for restructuring costs

A provision for restructuring costs is only recognised if it meets the general criteria for recognition as a provision. The Group must also have a formal plan for the relevant activity or the relevant part of an activity, the location and the number of employees involved, a detailed estimate of the related expenditure and a suitable timetable. The employees involved must have legitimate expectations that the restructuring will be carried through or the restructuring must already be underway.

Pensions and other post-employment benefits

The Group has two defined benefit pension schemes, based on what is known as the career-average system, for employees of the Dutch subsidiaries, for which premiums are payable to separately managed industry pension funds: Bedrijfstakpensioenfond Metalektro and Pensioenfond Metaal en Techniek. These industry pension funds are unable to provide the information needed in order to account for the pension commitments as defined benefit plans in the financial statements in accordance with the guidelines of IAS 19. For that reason, these defined benefit plans are recognised as defined contribution plans in the financial statements.

The Group has a defined benefit plan and an early retirement scheme for employees of a German associate. The costs of the defined benefit pension scheme and the early retirement scheme are calculated using actuarial methods. Actuarial gains and losses are recognised as income or expense if the net accumulated unrecognised actuarial gains and losses as at the end of the previous financial year are greater than 10% of the defined benefit pension liability. These gains and losses are allocated to the expected remaining term of employment of the employees participating in the schemes. If the benefits

are unconditional immediately upon introduction of or changes to a pension scheme or early retirement scheme, the costs are recognised immediately.

Anniversary commitments

Employees of the Dutch and German associates are paid extra remuneration upon reaching certain numbers of years of employment. The costs of anniversary commitments are based on actuarial calculations.

Share-based payment transactions

Members of the Board of Directors, as well as certain others of the Group's officers, receive remuneration in the form of share-based payment transactions, under which the employees concerned provide services in exchange for equity instruments (equity-settled transactions).

Equity-settled transactions

The costs of the equity-settled transactions with employees are stated at fair value as at the date of grant. The fair value is calculated based on the Black & Scholes model (for further information, please refer to item 16 of the Notes). The measurement of equity-settled transactions does not take into account any performance-related conditions.

The costs of equity-settled transactions, together with corresponding increases in equity, are recognised during the period in which the conditions for performances and/or services are met, ending on the date on which the employees in question become fully entitled to the commitment (i.e. the date on which the commitment becomes unconditional). The cumulative costs recognised for equity-settled transactions as at the reporting date reflect the degree to which the waiting period has passed and the Group's best estimate of the number of equity instruments that will eventually become unconditional. The amount charged to the income statement for a particular period reflects the changes to the cumulative expense as recognised at the beginning and the end of that period.

Any equity-settled commitments that are cancelled are regarded as being unconditional as at the cancellation date, and any as-yet unrecognised costs associated with that commitment are recognised immediately. However, if the cancelled commitment is replaced by a new commitment, and if that new commitment qualifies as a replacement commitment as at the date of grant, the cancelled and new commitments are regarded as constituting an amendment to the original commitment, as defined in the previous paragraph.

The dilutory effect on outstanding options is made visible as an additional dilution of the shares in the calculation of the diluted earnings per share (please refer to item 22 of the Notes).

Revenue recognition

The Group's principal activity is to produce and assemble electronic components or systems. These main activities are also supported by development, prototyping and engineering activities, which are occasionally carried out separately for clients.

Revenues are recognised insofar as it is probable that the economic gains will accrue to the Group and the revenues can be calculated reliably. Revenues are calculated as the fair value of the consideration received, not including discounts, rebates or VAT. The following specific recognition criteria must also be met before revenues may be recognised:

Sales of goods

Revenues are recognised when the significant risks and benefits associated with ownership of the goods have been transferred to the buyer. After the production and assembly process has been completed, the end products are tested and delivered, depending on what has been arranged with the buyer. The moment at which revenue is recognised depends on the contractual agreements with the buyer, and is generally when the goods are delivered.

Services provided

Revenues from services provided, generally based on contractual agreements with terms of less than 12 months, are recognised based on the costs incurred, using a percentage-of-completion method. The stage of the performances rendered is determined by calculating the number of man hours worked as a percentage of the total estimated number of man hours required for each contract. Losses are taken when they are foreseeable. Revenue from services provided represented approximately 3% of the Group's total revenue during the 2012 and 2011 financial years.

Finance costs

Finance costs are recognised as costs immediately upon being incurred, or else by settlement if amortised cost is used.

Taxes*Taxes payable and available for offset*

Tax assets and liabilities payable and available for offset for current and prior years are stated at the expected amount to be reclaimed from or paid to the tax authorities. The tax charge is calculated according to the tax rates and applicable tax legislation adopted by law as at the reporting date in the countries in which the Group generates taxable income. Current profit tax relating to items included directly in equity is taken to equity rather than to the income statement. Management periodically assesses the positions adopted in the tax returns for situations involving multiple possible interpretations, and if necessary forms provisions.

Deferred taxes

Provisions are formed for deferred tax liabilities, based on the timing differences as at the balance sheet date between the carrying amounts of assets and liabilities for tax purposes and their carrying amounts as presented in these financial statements.

Deferred tax liabilities are recognised for all taxable timing differences, except in the following situations:

- 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, at the time of the transaction, does not affect the pre-tax profit or the taxable result;
- In the case of taxable timing differences pertaining to investments in subsidiaries: if the moment of settlement can be determined wholly independently, and if it is probable that the timing difference will not be settled in the near future.

Deferred tax assets are recognised for all timing differences that can be settled, unused tax facilities and tax losses available for offset, insofar as it is probable that taxable profits will be available against which the timing difference can be offset, and that the timing differences, unused tax facilities and tax losses available for offset can be utilised, except in the following situations:

- 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, at the time of the transaction, does not affect the pre-tax profit or the taxable result;
- In the case of timing differences that can be settled and that pertain to investments in subsidiaries: if it is probable that the timing difference will not be settled in the near future and that taxable profits will be available against which the timing difference can be offset.

The carrying amount of the deferred tax assets is assessed as at the balance sheet date, and lowered to the extent that it is not probable that sufficient taxable profits will be available against which the timing

difference can be offset, either in whole or in part. Unrecognised deferred tax assets are reassessed as at the balance sheet date, and recognised to the extent that it is probable that taxable profits will be available in the future against which the deferred asset can be offset.

Deferred tax assets and liabilities are stated at the tax rates that are expected to apply to the period during which the claim will be realised or the liability settled, based on the statutory tax rates and prevailing tax law.

Tax on items recognised directly in equity is taken directly to equity rather than to the income statement.

Deferred tax assets and liabilities are offset against one another if there is a legally enforceable right to offset tax assets against tax liabilities and if the deferred taxes pertain to one and the same taxable entity and one and the same tax authority.

VAT

Revenues, costs and assets are presented net of VAT, except in the following situations:

- If the VAT on the purchase of an asset or service cannot be reclaimed from the tax authorities, in which case the VAT is recognised as part of the acquisition cost of the asset or as part of the cost item;
- Assets and liabilities that are recognised for amounts that include VAT.

The net amount of VAT that can be reclaimed from, or that is payable to, the tax authorities is presented as an asset or liability on the face of the balance sheet.

Government grants

Government grants are presented if there is a reasonable degree of certainty that the grants will be received and that all relevant conditions will be met. If the grant pertains to a cost item, the grant is recognised as income during the period needed to systematically allocate it to the costs for which the grant is intended. If the grant pertains to an asset, the fair value is taken to an accrued liabilities item, and is released to the income statements in equal annual instalments over the expected useful life of the asset in question.

3. IMPORTANT OPINIONS, ESTIMATES AND ASSUMPTIONS IN THE COMPILATION OF THE FINANCIAL STATEMENTS

For the purpose of compiling the Group's financial statements, the management is obliged to form opinions and make estimates and assumptions as at the balance sheet date that affect the reported income, expense, assets, liabilities and off-balance-sheet obligations. However, the inherent uncertainty in those assumptions and estimates may lead to results requiring material adjustment to the carrying amount of the asset or liability in question.

Opinions

When applying the accounting principles, the management formed the opinions set out below, which have the greatest impact on the amounts presented in the financial statements.

Lease commitments – the Group as the lessee

The Group rents property and a number of other operating assets (cars) in order to carry out its activities. It is the Group's opinion that it does not possess the principal risks and benefits associated with the rental contracts for the property and other operating assets. As such, those contracts are presented as operational lease contracts.

Estimates and assumptions

The principal assumptions concerning the future and other important sources of estimation uncertainty as at the balance sheet date that carry with them significant risks of material changes to the carrying amounts of assets and liabilities in the following financial year are discussed below.

Property, plant and equipment

The asset's residual value, economic life and measurement methods are assessed at the end of the financial year, and if necessary adjusted.

Impairment losses on goodwill

At least once every year, the Group ascertains whether its goodwill has been subject to any impairment losses. This requires estimating the value in use of the cash-generating units with which the goodwill is associated. To estimate these values in use, the Group must first estimate the expected future cash flows arising in connection with the cash-generating unit, as well as determining an appropriate discount rate, in order to calculate the discounted values of those cash flows. The carrying amount of the goodwill as at 31 December 2012 was EUR 2.8 million (2011: EUR 2.8 million). For further information, please refer to item 7 of the Notes.

Deferred tax assets

Insofar as it is probable that the Group will have taxable profits against which the losses can be offset, deferred tax assets are presented for all tax losses that have not been offset. Determining the amount that may be presented as deferred tax assets calls for a considerable degree of management opinion, based on the probable time and volume of future taxable profits, combined with future tax planning measures. The carrying amount of the deferred tax asset for tax losses accounted for as at 31 December 2012 was EUR 1.1 million (2011: EUR 1.8 million), while the tax losses not presented on the face of the balance sheet as at 31 December 2012 totalled EUR 22.0 million (2011: EUR 17.0 million). For further information, please refer to item 8 of the Notes.

Pensions and anniversary schemes

The costs of defined benefit pension schemes and early retirement schemes are calculated according to actuarial methods. The actuarial methods consist of making assumptions about discount rates, expected investment yields, future pay rises, mortality rates and future indexation of pension benefits. Such estimates are very uncertain, owing to the long-term nature of the schemes. All assumptions are reviewed each reporting date. The net liability as at 31 December 2012 was EUR 3.9 million (2011: EUR 3.9 million). For further information, please refer to item 15 of the Notes.

Changes to estimates for property, plant and equipment

This category presents operating assets that were formerly depreciated over a 5-year period but whose estimated useful life has been extended to 7 years based on past experiences. This change in estimate has been applied prospectively with effect from 1 July 2012. The financial impact in 2012 is a EUR 0.6 million reduction in the depreciation charge. For the years 2013 to 2015, the result will be a reduction in the depreciation charge by EUR 0.7 million, EUR 0.3 million and EUR 0.1 million, respectively.

4. PUBLISHED STANDARDS THAT HAVE NOT YET ENTERED INTO FORCE

The following standards had been published on the publication date of the Group's financial statements but had not yet entered into force:

- IFRS 7 Financial instruments: Disclosure – Offsetting financial assets and financial liabilities, entry into force on 1 January 2013
- IFRS 9 Financial Instruments, entry into force on 1 January 2015
- IFRS 10 Consolidated Financial Statements, entry into force on 1 January 2013
- IFRS 11 Joint Arrangements, entry into force on 1 January 2013
- IFRS 12 Disclosure of Interests in Other Entities, entry into force on 1 January 2013
- IFRS 13 Fair Value Measurement, entry into force on 1 January 2013
- IAS 1 Presentation of Financial Statements – Presentation of items of other comprehensive income, in force since 1 July 2012
- IAS 12 Income Taxes – Deferred taxes: Recovery of underlying assets
- IAS 19 Employee Benefits, entry into force on 1 January 2013
- IAS 27 Separate Financial Statements (revised in 2011), entry into force on 1 January 2013
- IAS 28 Investments in Associates and Joint Ventures (revised in 2011), entry into force on 1 January 2013
- IAS 32 Financial instruments: Presentation – Offsetting financial assets and financial liabilities, entry into force on 1 January 2014
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, entry into force on 1 January 2013
- Improvements to IFRS, entry into force on 1 January 2013

IFRS 7 Financial Instruments

The changes only mean that additional explanatory notes are required; they will not impact the Group's results or its financial position.

IFRS 10 Consolidated Financial Statements

The Group does not expect IFRS 10 to impact its results or its financial position.

IFRS 11 Joint Arrangements

The Group does not include any entities that are subject to joint control.

IFRS 12 Disclosure of Interests in Other Entities

This standard only impacts the explanatory notes provided; it does not impact the Group's results or its financial position.

IFRS 13 Fair Value Measurement

The Group does not expect IFRS 13 to impact its results or its financial position.

IAS 1 Presentation of Financial Statements

The change only affects presentation; it will not have any effect on the Group's results or financial position.

IAS 12 Income Taxes – Deferred taxes

Since the Group does carry any investments in property or other non-depreciable assets at fair value, the change does not apply to the Group.

IAS 19 Employee Benefits

Owing to the changes to IAS 19, the Group will present unrealised actuarial gains and losses during the period in which they arise, as other comprehensive income in the consolidated statement of total comprehensive income. For 2012, this would result in a loss of €425,000. As at 31 December 2012, the balance of the retained earnings included in equity would be EUR 547,000 lower.

As the Group does not have any plan assets, bringing the discount rate for such assets in line with the discount rate used for calculating the pension commitments will have no impact on the Group's results or its financial position.

IAS 27 Separate Financial Statements

The changes to this standard will have no impact on the Group's results or its financial position.

IAS 28 Investments in Associates and Joint Ventures (revised in 2011)

The Group does not have any investments in associates or joint ventures. As such, the change to this standard will have no impact on the Group's results or its financial position.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation does not apply to the Group's situation.

Improvements to IFRS

The Group is aware of the improvements and is currently in the process of assessing their implications.

The Group does not expect to apply IFRS 9 and IAS 32 before 1 January 2015 and 1 January 2014, respectively, and is currently in the process of examining and assessing their implications.

5. BUSINESS COMBINATIONS

Acquisitions in 2011

Acquisition of DHV activities

On 1 May 2011, the Group acquired some of the activities of DHV B.V., including the related assets and liabilities. The activities acquired consist of consulting, design and engineering for modules, appliances and machinery in the high-tech industry and include 54 employees. The acquisition closely matches the Group's one-stop-providership concept and reflects the strategy of further reinforcing the Group's development activities.

The fair value of the identifiable assets and liabilities as at the acquisition date is as follows:

Amounts x EUR 1,000	Fair value presented upon acquisition
Assets	
Property, plant and equipment	12
Inventories	42
Trade receivables	1,225
	1,279
Liabilities	
Pension commitments	-17
Trade and other payables	-322
	-339
Total	940
Goodwill arising from acquisitions	1,928
Purchase price transferred (in cash)	2,868

The activities were fully integrated into the existing operations of Neways Technologies B.V. as at the acquisition date.

The goodwill comprises the fair value of the synergies that these activities are expected to create within the Group, in particular by reinforcing the Group's position with a number of customers as a result of the additional specialist expertise in the area of development and engineering. For tax purposes, goodwill is amortised on a straight-line basis, over a period of 10 years.

The transaction costs are included in the other expenses in the income statement and in the cash flow from operating activities in the cash flow statement.

Acquisition of an additional interest in Neways Micro Electronics Wuxi Co. Ltd.

On 2 March 2011, the Group acquired the remaining 10% of the voting shares in Neways Micro Electronics Wuxi Co. Ltd., bringing its interest to 100%. The minority shareholder was paid EUR 124,000 in cash. The carrying amount of the net assets of Neways Micro Electronics Wuxi as at the acquisition date had a negative value of EUR 720,000; the carrying amount of the additional interest acquired had a negative value of EUR 72,000. The EUR 196,000 difference between the payment and the carrying amount of the interest acquired is recognised as retained earnings in equity.

6. PROPERTY, PLANT AND EQUIPMENT

The category 'Plant and equipment' presents operating assets that were formerly depreciated over a 5-year period but whose estimated useful life has been extended to 7 years based on past experiences. For further information, please refer to item 3 of the Notes.

The movements in property, plant and equipment are shown in the following table:

Amounts x EUR 1,000	Land and buildings	Plant and equipment	Total
Acquisition value:			
Balance as at 1 January 2011	8,665	62,752	71,417
Acquisitions	233	6,481	6,714
Disposals	-10	-1,234	-1,244
Exchange differences	62	294	356
Balance as at 31 December 2011	8,950	68,293	77,243
Acquisitions	538	2,608	3,146
Disposals	0	-106	-106
Exchange differences	-12	-67	-79
Balance as at 31 December 2012	9,476	70,728	80,204
Amortisation and impairments:			
Balance as at 1 January 2011	4,949	51,774	56,723
Depreciation charge for the financial year	550	4,127	4,677
Disposals	0	-1,228	-1,228
Exchange differences	34	223	257
Balance as at 31 December 2011	5,533	54,896	60,429
Depreciation charge for the financial year	534	3,544	4,078
Disposals	0	-106	-106
Exchange differences	-8	-45	-53
Balance as at 31 December 2012	6,059	58,289	64,348
Carrying amount:			
As at 31 December 2012	3,417	12,439	15,856
As at 31 December 2011	3,417	13,397	16,814
As at 1 January 2011	3,716	10,978	14,694

Credit suppliers have established pledges on plant and equipment.

7. INTANGIBLE ASSETS

The movements in intangible assets are shown in the following table:

Amounts x EUR 1,000	Software	Goodwill	Other	Total
Acquisition value:				
Balance as at 1 January 2011	3,147	870	759	4,776
Acquisitions	701	0	0	701
Acquired activities (item 5 of the Notes)	0	1,928	0	1,928
Balance as at 31 December 2011	3,848	2,798	759	7,405
Acquisitions	1,046	0	0	1,046
Balance as at 31 December 2012	4,894	2,798	759	8,451
Amortisation and impairments:				
Balance as at 1 January 2011	2,709	44	593	3,346
Amortisation	82	0	153	235
Balance as at 31 December 2011	2,791	44	746	3,581
Amortisation	86	0	13	99
Balance as at 31 December 2012	2,877	44	759	3,680
Carrying amount:				
As at 31 December 2012	2,017	2,754	0	4,771
As at 31 December 2011	1,057	2,754	13	3,824
As at 1 January 2011	438	826	166	1,430

Other intangible assets represent client bases acquired through business combinations, and have been amortised on a straight-line basis over a 5-year period.

Software is amortised on a straight-line basis, over periods of 5 to 8 years. If anything indicates an impairment, an estimate is made of the recoverable amount and an impairment loss is accounted for if the recoverable amount is less than the carrying amount.

The carrying amount of the software as at 31 December 2012 includes a sum of EUR 1,554,000 (31 December 2011: EUR 705,000) for project costs that will not yet be amortised. Amortisation will commence when the software is put into use.

Impairment testing of goodwill

Of the goodwill, EUR 734,000 pertains to the past acquisition of the remaining minority interest in Neways Slovakia a.s., EUR 92,000 pertains to shares in a development and engineering company acquired

through business combinations in 2008 and EUR 1,928,000 pertains to activities acquired from DHV B.V. in 2011, including assets and liabilities (see item 5 of the Notes). The cash-generating unit to which this goodwill resulting from business combinations is allocated consists of the Western European production companies within the Group.

The Group conducted its annual impairment testing on 31 December 2012. In assessing factors that serve as indicators of impairment, the Group considers, among other things, the ratio between its market capitalisation and its carrying amount. As at 31 December 2012, the Group's exchange capitalisation was less than the carrying amount of its equity, which indicates a possible impairment of goodwill.

The recoverable amount of the goodwill is calculated based on the value in use. The calculation of this value uses the future cash flows, based on the financial budgets and forecasts of the cash-generating unit over a period of five years. The discount rate (after tax) used for this purpose is 10.2% (2011: 11.7%). The cash flows beyond the 5-year period have been extrapolated using a growth rate of 2% (2011: 2%).

Important assumptions in the calculation of the value in use

The calculation of the value in use of the cash-generating unit is most sensitive to the following assumptions:

- Net profit percentages;
- Discount rates;
- Growth rate used for extrapolating cash flows beyond the budgeted period.

Net profit percentages

The net profit percentage is based on the realised values as they developed during the past five years.

Discount rates

Discount rates represent management's estimate of the specific risks associated with the cash-generating unit. They constitute the measure that management uses in assessing the operational performances and assumptions for future investments.

Sensitivity to changes in assumptions

For the assessment of the value in use of the cash-generating unit, management believes that changes in one or more of the important assumptions as defined above will not cause the carrying amounts of the cash-generating units to materially exceed their recoverable amounts. The value in use is substantially higher than the value of the goodwill.

8. TAXES

Amounts x EUR 1,000	Consolidated balance sheet		Consolidated income statement	
	2012	2011	2012	2011
Deferred tax assets				
Available from tax losses	1,066	1,830	-764	22
Total deferred tax assets	1,066	1,830	-764	22
Deferred tax liabilities				
Intangible assets	-80	-32	-48	6
Property, plant and equipment	-1,383	-1,221	-162	-644
Revaluation of cash flow hedges	0	-10	0	0
Total deferred tax liabilities	-1,463	-1,263	-210	-638
Deferred tax liability/claim	-397	567	-974	-616
Presented as follows on the face of the balance sheet:				
Deferred tax assets	1,066	1,830		
Deferred tax liabilities	-1,463	-1,263		
Net deferred tax liability/claim	-397	567		

The tax rate in the consolidated income statement can be broken down as follows:

Amounts x EUR 1,000	2012	2011
<i>Tax on income for the financial year</i>		
Current tax charge	-866	-2,277
Adjustment of effective tax rate for previous years	15	50
<i>Deferred taxes:</i>		
In connection with the emergence and reversal of timing differences	-974	-616
Tax on income presented in the consolidated income statement	-1,825	-2,843
Deferred taxes on items taken directly to equity during the financial year:		
Net gain/loss on revaluations of cash flow hedges	10	-10
Profit tax charged directly to equity	10	-10

The tax charge at the rate applicable in the Netherlands can be reconciled with the effective tax charge for the Group according to the following table:

Amounts x EUR 1,000	2012	2011
Result before taxation	1,414	6,648
Taxes at the applicable Dutch rate of 25.0%	-354	-1,662
Adjustment of effective tax rate for previous years	15	50
Non-deductible expenses	-57	-44
Effect of other tax rates at non-Dutch subsidiaries	104	-238
Effect of unrecognised tax assets on losses at non-Dutch subsidiaries	-733	-949
Write-down of a tax claim for available losses at non-Dutch subsidiaries	-800	0
Tax on income presented in the consolidated income statement	-1,825	-2,843

The Group recognises deferred tax assets totalling EUR 1.1 million (31 December 2011: EUR 1.8 million), which pertain in their entirety to tax-loss carry-forwards, representing total available losses of EUR 3.6 million (31 December 2011: EUR 6.0 million). Of this total, EUR 3.1 million pertains to losses offsettable in Germany, and EUR 0.5 million to losses offsettable in Slovakia. The measurement of the available losses is based on an estimate of the projected profits to be realised over the coming four years. No tax asset is recognised on the face of the balance sheet for the remaining available loss of EUR 22.0 million in Germany (31 December 2011: EUR 17.0 million), as its realisation is not yet probable.

The Company is included in a fiscal unity for corporate income tax purposes, together with its wholly owned associates domiciled in the Netherlands. In concert with those associates, the Company is jointly and severally liable for all corporate income tax debts.

Disregarding the effect of an additional write-down of a tax asset of EUR 0.8 million for available losses at non-Dutch associates, the effective tax rate – i.e. the ratio between taxes and the profit before tax – is 72.5% (2011: 42.8%). The reason why this effective tax rate differs significantly from the corporate income tax rate of 25% as applicable in the Netherlands in 2012 lies in the non-recognition of tax assets for losses realised at non-Dutch associates during the financial year. The Group's areas of activity are the Netherlands, Germany, Slovakia and China, where the tax rates are 25% (Netherlands), 31.2% (Germany), 19% (Slovakia) and 25% (China). Those rates have not changed since 2011.

9. INVENTORIES

The allowance recognised for write-downs of raw materials and consumables is EUR 12,894,000 (2011: EUR 12,887,000). The movement in this item is presented under the costs of raw materials and consumables.

The allowance pertains primarily to materials intended for products that are no longer produced and supplied, but that are kept in stock and used occasionally.

Credit suppliers have established pledges on the inventories.

10. RECEIVABLES

Amounts x EUR 1,000	2012	2011
Trade receivables	25,454	28,132
Affiliated parties	421	1,616
Total	25,875	29,748

For the conditions that apply to receivables, please refer to item 23 of the Notes.

Trade receivables do not include any receivables with terms to maturity of more than 12 months. Credit suppliers have established pledges on the trade receivables.

No interest is charged on trade receivables, which generally have payment terms of 30-90 days.

As at 31 December 2012, trade receivables with a nominal value of EUR 0.5 million (2011: EUR 0.4 million) had been impaired, and an allowance was made for the entire amount. Allowances for receivables are determined individually.

The movements in the allowance for impairments of receivables are as follows (for more information about the credit risk, see item 25 of the Notes):

Amounts x EUR 1,000	2012	2011
Balance as at 1 January	381	495
Charges for the financial year	172	36
Reversals for unused amounts	-7	-150
Balance as at 31 December	546	381

The analysis of overdue receivables not subject to impairment as at 31 December can be summarised as follows:

		Overdue but not subject to impairment					
Amounts x EUR 1,000	Total	Not overdue, nor subject to impairment	<30 days	30-60 days	60-90 days	90-120 days	>120 days
2012	25,875	21,653	3,374	209	97	164	378
2011	29,748	25,516	3,398	326	152	97	259

11. EQUITY

For a summary of the various equity components and the movements in those components between 31 December 2011 and 31 December 2012, please refer to the consolidated statement of changes in equity.

Capital

The authorised capital as at 31 December 2012 was EUR 15,000,000, divided into 30,000,000 ordinary shares with a nominal value of EUR 0.50 each. Of that number, 9,943,206 ordinary shares had been issued and paid in as at 31 December 2012, bringing the paid-in capital to EUR 4,971,000. The increase in the number of issued and paid-in shares during the 2011 and 2012 financial years can be broken down as follows:

Numbers x 1,000	Ordinary shares issued and paid in
1 January 2011	9,685
Issued in exchange for cash payment upon exercise of share options (item 16 of the Notes)	42
Issued as a result of optional dividends	107
31 December 2011	9,834
Issued in exchange for cash payment upon exercise of share options (item 16 of the Notes)	2
Issued as a result of optional dividends	107
31 December 2012	9,943

Reserve for cash flow hedges

The reserve for cash flow hedges comprises the effective portion of the cash flow hedge relationships in existence as at the reporting date. The movement of EUR 30,000 during 2012 consists of net changes in the cash flow hedges after tax. The Group has no cash flow hedge relationships as at 31 December 2012.

Foreign exchange reserve

The foreign exchange reserve comprises both the foreign exchange differences stemming from the translation of the financial statements of the non-Dutch subsidiaries, and the foreign exchange differences originating from the translation of loans to non-Dutch subsidiaries to finance those non-Dutch subsidiaries.

12. DIVIDENDS PAID AND PROPOSED

Amounts x EUR 1,000	2012	2011
Declared and paid during the year		
Dividend on ordinary shares:		
Final dividend for 2011: EUR 0.12 (2010: EUR 0.16)	1,180	1,550
Proposed for the approval of the General Meeting of Shareholders		
Dividend on ordinary shares:		
Final dividend for 2012: EUR 0.012 (2011: EUR 0.12)	119	1,180

13. OTHER FINANCIAL LIABILITIES

Amounts x EUR 1,000	Effective interest rate	Maturity date	2012	2011
Current				
Money loans	5.0%-6.0%	2013	291	354
Total			291	354
Long-term				
Money loans	5.0%-6.0%	2014-2017	742	707
Total			742	707

Money loans (5.0%-6.0%)

These are loans with terms of 5 years, for which a first pledge has been established on business equipment. They are repaid in monthly instalments, based on the annuity method.

Bank overdrafts

The credit facilities available as at 31 December 2012 (overdraft and committed facilities) total EUR 30 million (interest rate: EURIBOR + 1.35%). Of that facility, EUR 6.5 million was in use as at the balance sheet date for overdrafts and bank guarantees (31 December 2011: EUR 3.1 million). Redemption of the debts to the financial institutions is secured by means of a pledge established on business equipment, inventories, work in progress, receivables and entitlements under the credit insurance policy. The total value of the pledge as at 31 December 2012 was approximately EUR 90 million. All group companies have issued statements of joint and several liability to the financial institutions on the Company's behalf. The financial institutions also believe it necessary for the guaranteed capital (adjusted for the net deferred tax assets, goodwill and other intangible assets) to equal at least 35% of the adjusted balance sheet total as at 31 December 2012.

Derivatives

As at 31 December 2011, the Group had an outstanding currency forward contract that was designated as a hedge for expected future purchases by Neways Wuxi in China, pertaining to very probable expected transactions. This currency forward contract served to hedge the currency risk on these very probable expected transactions. The Group had no outstanding currency forward contracts as at 31 December 2012.

The cash flow hedges for the expected future purchases during the period from January until the end of November 2012 were assessed as effective, and the other comprehensive income as at 31 December 2011 included a net unrealised gain on this contract to the sum of EUR 40,000, net of a deferred tax liability of EUR 10,000. That unrealised gain was reversed in the other comprehensive income for 2012.

Fair values

The fair values of all the Group's financial instruments approximate the respective carrying amounts. The fair values of cash, trade receivables, other receivables, trade payables and other payables approximate the carrying amounts, chiefly because of their short terms to maturity. Bank overdrafts are payable on demand. The Group does not use borrowings with variable interest rates.

Hierarchy of fair values

As at 31 December 2011, the Group held a hedged currency forward contract, presented as an asset at its fair value of EUR 40,000.

The Group uses the following hierarchy for determining and disclosing financial instruments, distinguished by method of measurement.

Level 1: quoted (unadjusted) prices on active markets for identical assets or liabilities

Level 2: other methods in which all variables have a significant impact on the fair value accounted for and are directly or indirectly observable

Level 3: methods in which all variables are used that have a significant impact on the fair values accounted for but are not based on observable market data

The fair value of the hedged currency forward contract was calculated using the Level 2 method of valuation.

14. PROVISIONS

The movements in the line item for provisions during 2012 can be summarised as follows:

Amounts x EUR 1,000	Restructuring provision
Balance as at 1 January 2012	800
Addition for the period	0
Utilised	-743
Balance as at 31 December 2012	57
Current	57
Long-term	0

Restructuring provision:

The provision pertains to the redundancy of a number of employees of Neways Electronics Production GmbH in Kassel (Germany). The reorganisation plan was discussed with the works council and the unions during 2011 and was communicated to the employees. The restructuring was almost complete at the end of 2012.

15. PENSIONS, EARLY RETIREMENT AND ANNIVERSARIES

Pension provisions

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

The pension schemes for the employees in the Netherlands are insured with two industry pension funds. The schemes are collective plans, based on the career-average system, for employees employed by multiple employers, and are processed as if they were defined contribution plans. These plans are defined benefit plans that are managed by Bedrijfstakpensioenfonds Metalektro and by Pensioenfonds Metaal en Techniek.

These industry pension funds are unable to provide the information needed in order to account for the pension commitments as defined benefit plans in the financial statements in accordance with the guidelines of IAS 19. The associated businesses are not obliged to make good any deficits in the pension funds, nor are they entitled to any surpluses. For that reason, these defined benefit plans are recognised as defined contribution plans in the financial statements. At year-end 2012, the coverage ratio of Bedrijfstakpensioenfonds Metalektro was 94% (2011: 90%), while that of Pensioenfonds Metaal en Techniek was 92% (2011: 89%). The coverage ratios of both funds fall short of the coverage ratio required according to the recovery time path. The pension funds have approved recovery plans in place, under which the coverage ratio will be restored to the required level by various measures, such as refraining from future indexation of pensions, lowering pensions and increasing pension contributions, and for which no additional contributions are required from the enterprise at present.

The pension scheme for employees in Germany consists of self-administered commitments and qualifies as a defined benefit plan (without plan assets).

The pension commitments are calculated and accounted for in accordance with IAS 19.

Early retirement schemes

An early retirement scheme exists for some of the employees in Germany. The payments and contributions for early retirement are accounted for in accordance with IAS 19.

Provision for anniversary commitments

The employees in the Netherlands and Germany receive additional remuneration when they reach a certain number of years of employment. The commitments for these anniversary benefits are accounted for in accordance with IAS 19.

The movements in the discounted value of the commitment for pensions, early retirement and anniversary charges during the financial year were as follows:

	Pension provisions		Early retirement provisions		Provision for anniversary commitments		Total	
Amounts x EUR 1,000	2012	2011	2012	2011	2012	2011	2012	2011
Balance as at 1 January	3,272	3,244	82	119	642	626	3,996	3,989
Reclassification	0	0	0	0	0	-5	0	-5
Expenses allocated to the financial year	16	18	0	0	125	93	141	111
Interest expense	143	151	0	0	3	4	146	155
Realised actuarial gains/ losses	0	0	0	0	6	-1	6	-1
Benefits paid	-177	-171	-25	-37	-105	-75	-307	-283
Unrealised actuarial gains/ losses	425	30	0	0	0	0	425	30
Balance as at 31 December	3,679	3,272	57	82	671	642	4,407	3,996

The composition of the discounted value of the commitment for pensions, early retirement and anniversary charges as at 31 December 2012 was as follows:

	Pension provisions		Early retirement provisions		Provision for anniversary commitments		Total	
Amounts x EUR 1,000	2012	2011	2012	2011	2012	2011	2012	2011
Discounted value of the commitments	3,679	3,272	57	82	671	642	4,407	3,996
Unrealised actuarial gains/losses	-547	-122	0	0	0	0	-547	-122
Commitments as at 31 December	3,132	3,150	57	82	671	642	3,860	3,874

Application of IAS 19R would result in the unrealised actuarial gains/losses for 2012, totalling EUR 425,000, being recognised as a loss in the other comprehensive income in the consolidated statement of total comprehensive income. The retained earnings included in equity as at 31 December 2012 would be EUR 547,000 lower.

The total cost in the consolidated income statement of the schemes for pensions, early retirement and anniversaries can be broken down as follows:

	Pension provisions		Early retirement provisions		Provision for anniversary commitments		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Amounts x EUR 1,000								
Expenses allocated to the financial year	16	18	0	0	125	93	141	111
Interest expense	143	151	0	0	3	4	146	155
Realised actuarial gains/losses	0	0	0	0	6	-1	6	-1
Balance of pension and anniversary charges	159	169	0	0	134	96	293	265

The Group expects to contribute EUR 132,000 to the defined benefit pension plans in 2013 (2012: EUR 159,000).

The commitments for pensions, early retirement and anniversaries as at 31 December 2012 and at year-end during the four preceding years were as follows:

	2012	2011	2010	2009	2008
Amounts x EUR 1,000					
Pension provisions	3,132	3,150	3,152	3,148	3,093
Early retirement schemes	57	82	119	61	247
Provision for anniversary commitments	671	642	626	92	99
Total	3,860	3,874	3,897	3,301	3,439

Important assumptions used in the actuarial calculations for the schemes for the German employees:

	2012	2011
Discount rate	3.30%	4.50%
Future wage increases	2.50%	2.50%
Future pension increases	2.00%	2.00%
Departure rate between the ages of 20 and 50	0.50%	0.50%

Important assumptions used in the actuarial calculations for the schemes for the Dutch employees:

	2012	2011
Discount rate	3.4%	6%
Departure rate	25%	10%

The 2012 cost for the pension schemes accounted for as defined contribution plans for the employees in the Netherlands was EUR 3,278,000 (2011: EUR 3,183,000).

16. SHARE-BASED PAYMENT ARRANGEMENTS

The Neways Group has a share option scheme for the members of the Board of Directors and a select group of other executives who have been in the employ of the Neways Group for at least twelve months before the year of grant. This scheme provides for grants of non-transferable options to shares in Neways. The options may be exercised three years after grant, for a period of two years, which means that their total life is five years. Options can only be exercised by converting them into shares. If an option holder leaves the Group, his option rights lapse.

During the financial year, 62,500 options were granted, with an exercise price of EUR 5.60 per share, exercisable between 19 April 2015 and 20 April 2017. A total of 2,500 options were exercised during the financial year. The fair value of the options granted before 31 December 2011 was EUR 224,816. The weighted average fair value per option was EUR 1.40. Of this sum, EUR 69,309 is recognised as an expense in the income statement (2011: EUR 38,697). The fair value of the options granted during the financial year was EUR 77,595. The fair value per option is EUR 1.24. Of this sum, EUR 18,141 (2011: EUR 28,784) is recognised as an expense in the income statement. The average stock exchange price of Neways shares during 2012 was EUR 5.32 (2011: EUR 7.66).

The following table sets out the movements and exercise price of the share options.

Option holders	Balance at 31/12/2011	Granted 2012	Lapsed 2012	Exercised 2012	Balance at 31/12/2012	Exercise price (in EUR)	Maturity
V.B.M. de Bok	15,000		-15,000				
	15,000				15,000	11.80	03/2013
	15,000				15,000	2.65	03/2014
	15,000				15,000	6.66	03/2015
	15,000				15,000	8.60	04/2016
		15,000			15,000	5.60	04/2017
H.W.T. van der Vrande	*) 125,000				*) 125,000	4.00	07/2014
	15,000		-15,000				
	15,000				15,000	11.80	03/2013
	15,000				15,000	2.65	03/2014
	15,000				15,000	6.66	03/2015
	15,000				15,000	8.60	04/2016
		15,000			15,000	5.60	04/2017
Other officers in the Group's employ	25,000		-25,000				
	27,500		-2,500		25,000	11.80	03/2013
	15,000			-2,500	12,500	2.65	03/2014
	20,000				20,000	6.66	03/2015
	27,500				27,500	8.60	04/2016
		32,500	-2,500		30,000	5.60	04/2017
Total	390,000	62,500	-60,000	-2,500	390,000		

*) Options on shares held by major shareholders.

The calculation of the fair value of the options as at the date of grant uses the Black & Scholes model.

The table below sets out the assumptions used in calculating the fair value of the options granted during the financial year.

	2012	2011
Dividend yield (%)	3.29	1.38
Expected price-sensitivity of the share (%)	44.86	45.05
Risk-free interest rate (%)	1.21	2.77
Expected life of the options (in years)	3.50	3.50
Expected exercise behaviour of the options (%)	73.00	73.00

The expected price-sensitivity of the share is based on the assumption that past price-sensitivity serves as an indicator for future trends. The expected life is based on historical data concerning the lapsing of options. Management is of the opinion that any changes to one or more of these assumptions will not cause the fair values of the share options to differ significantly from the fair values as calculated.

17. TRADE AND OTHER PAYABLES

Amounts x EUR 1,000	2012	2011
Trade payables	26,423	36,545
Other payables	7,155	9,029
Interest payable	42	128
Affiliated parties	542	893
Total	34,162	46,595

The conditions for these financial obligations are as follows:

- Trade payables are not subject to interest, and generally have payment periods of approximately 60 days.
- Other payables are not subject to interest and have an average payment period of 6 months.
- The interest payable is generally settled on a quarterly basis during the financial year.
- For the conditions for affiliated parties, please refer to item 23 of the Notes.

For an explanation of the credit risk policy adopted by the Group, please refer to item 25 of the Notes.

18. EMPLOYEE EXPENSES

Amounts x EUR 1,000	2012	2011
Wages and salaries	67,371	67,567
Pension charges	4,425	4,322
Other social expenses	7,858	7,247
Costs of share option schemes (item 16 of the Notes)	89	67
Total employee expenses	79,743	79,203

The Group had an average of 2,052 employees during 2012 (2011: 2,170). This also includes temporary workers.

19. AMORTISATION AND DEPRECIATION

Amounts x EUR 1,000	2012	2011
Property, plant and equipment	4,078	4,677
Intangible assets	99	235
Total amortisation and depreciation	4,177	4,912

20. OTHER EXPENSES

For 2011, this includes EUR 1.4 million for expenses connected to the reorganisation at Neways Electronics Production GmbH.

21. FINANCE COSTS

Amounts x EUR 1,000	2012	2011
Interest on bank loans and bank overdrafts	629	700
Net foreign exchange differences	219	-49
Other	121	96
Total finance costs	969	747

22. EARNINGS PER SHARE

Ordinary earnings per share

The ordinary earnings per share are calculated by dividing the net profit or loss that accrues to holders of ordinary shares by the weighted average number of outstanding ordinary shares during the financial year.

Diluted earnings per share

This represents the net results attributable to the holders of ordinary shares in the parent company, divided by the sum of the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would have been issued upon conversion into ordinary shares of all potential ordinary shares that might lead to dilution. If the earnings per share are negative, the diluted earnings per share will not increase.

The table below shows the net income and the number of shares taken as the basis for calculating the ordinary and diluted earnings per share:

Amounts x EUR 1,000	2012	2011
Net income accruing to shareholders of ordinary shares for purposes of calculating the diluted earnings per share	-411	3,811

Numbers x 1,000	2012	2011
Weighted average number of ordinary shares	9,941	9,825
Dilutory effect:		
Share options	45	104
Adjusted weighted average number of ordinary shares for purposes of calculating the diluted earnings per share	9,986	9,929

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 compiled.

23. INFORMATION ABOUT AFFILIATED PARTIES

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

	Domicile/country	Interest (%)	
		2012	2011
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 Cable & Wire Solutions B.V.	Sittard, The Netherlands	100	100
Neways Leeuwarden B.V.	Leeuwarden, The Netherlands	100	100
Neways Advanced Applications B.V.	Son, The Netherlands	100	100
Neways Micro Electronics Holding B.V.	Sittard, The Netherlands	100	100
Neways Micro Electronics B.V.	Sittard, The Netherlands	100	100
Hymec Facilities B.V.	Sittard, The Netherlands	100	100
Hymec Hybrid Circuits B.V.	Sittard, The Netherlands	100	100
Neways Electronics Echt B.V.	Echt, The Netherlands	100	100
Evic Service & Repair Center B.V.	Echt, The Netherlands	100	100
Neways Deutschland GmbH.	Kassel, Germany	100	100
Neways Electronics Production GmbH.	Kassel, Germany	100	100
Neways Neunkirchen GmbH.	Neunkirchen, Germany	100	100
Neways Vertriebs GmbH.	Kassel, Germany	100	100
Neways Slovakia a.s.	Nová Dubnica, Slovakia	100	100
Neways Wuxi Electronics Co. Ltd.	Wuxi, China	100	100
Neways Micro Electronics Wuxi Co. Ltd.	Wuxi, China	100	100
Neways Electronics Singapore Pte. Ltd.	Singapore	100	100

The Group increased its 90% interest in Neways Micro Electronics Wuxi Co. Ltd. to 100% in 2011. Neways International (HK) Ltd., which no longer conducted any activities, was dissolved in 2012.

The following table shows the total amounts involved in transactions with affiliated parties during the respective financial years (for information about the outstanding balances as at 31 December 2012 and 2011, please refer to items 10 and 17 of the Notes):

Amounts x EUR 1,000		Sales to	Purchases/ services from	Owed by	Owed to
Entity with meaningful influence over the Group:					
VDL Group	2012	8,643	4,446	421	542
VDL Group	2011	11,723	4,588	1,616	893
ZBG Group	2012		560		
ZBG Group	2011		548		
Key executives of the Group:					
	2012		301		
	2011		310		

Entity with meaningful influence over the Group

VDL Group: As at 31 December 2012, VDL Beleggingen B.V. owned 28.2% of the issued shares in Neways Electronics International N.V. (31 December 2011: 27.7%).

ZBG Group: The Neways Group has entered into a rental agreement for business premises with ZID Zeno Immobilien Deutschland GmbH, which is part of the ZBG Group. ZBG Group: As at 31 December 2012, the shareholder of the ZBG Group owned 22.1% of the issued shares in Neways Electronics International N.V. (31 December 2011: 22.3%).

Conditions governing transactions with affiliated parties

Transactions with affiliated parties are conducted based on the same conditions as apply between independent parties. Amounts outstanding at year-end are not secured by arm's length collateral, are not subject to interest and are settled in cash. Guarantees are neither provided nor demanded for the receivables from and payables to the affiliated parties. At year-end 2012, the Group had made no allowances for bad debts in connection with the receivables from affiliated parties (2011: zero). This situation is assessed every financial year, based on an examination of the financial position of each affiliated party and of the market on which it operates.

Remuneration of the Board of Directors

The remuneration of the Board of Directors consists of a basic salary, an annual bonus and employee share options. The Supervisory Board determines the remuneration annually, within the framework permitted by the Group's remuneration policy. The basic salaries are not subject to any automatic pay rises under a collective bargaining agreement.

Every year, the Supervisory Board determines a bonus arrangement for the reporting year. The bonus arrangement is contingent upon the realisation of a series of predetermined quantitative performance targets.

The bonuses awarded are recognised during the reporting year, and are paid after the financial statements have been adopted.

No bonuses will be paid for 2012. The statement of bonuses and share options is as follows:

Amounts x EUR 1,000	2012	2012	2011	2011
	Share options	Bonuses	Share options	Bonuses
V.B.M. de Bok	21	0	17	50
H.W.T. van der Vrande	21	0	17	50

The pensions of the members of the Board of Directors are insured with the pension fund of MN Services (Pensioenfonds Metaal en Techniek). These pensions, including pre-pension rights, are based on the career-average system. The members of the Board of Directors also have supplementary pensions based on the defined contribution system.

The salaries and pensions of the members of the Board of Directors and other key executives are as follows

Amounts x EUR 1,000	2012	2012	2011	2011
	Basic salary	Pension charges (employer's share)	Basic salary	Pension charges (employer's share)
V.B.M. de Bok	255	52	250	49
H.W.T. van der Vrande	255	52	250	49
Other key executives	1,608	161	1,518	143
Total remuneration of key executives	2,118	265	2,018	241

The total remuneration of the Board of Directors for 2012 includes a sum of EUR 32,000 for a one-time levy of crisis tax that the Group owes the tax authorities for the 2012 financial year.

During the financial year, the expenses included EUR 108,000 (2011: EUR 124,000) for termination benefits for other key executives.

For a summary of the option rights to purchase shares pursuant to the directors' participation in the share option scheme, please refer to item 16 of the Notes.

Remuneration of the Supervisory Board

The members of the Supervisory Board are paid a fixed fee, which is not linked to the Group's results. The remuneration of the members of the Supervisory Board was as follows:

Amounts x EUR 1,000	2012	2011
D. Boers (chairman)	30	30
Th. van Deursen (until 19 April 2012)	8	25
W. van der Leegte	25	25
H. Scheepers (from 1 April 2012)	19	0
Total	82	80

24. CONTINGENT ASSETS AND LIABILITIES

Rental agreements

The Group has concluded rental agreements for the majority of buildings it uses. The average term of those rental agreements is 10-15 years; the contracts do not specify the possibility for renewal. The future minimum rental sums stemming from these non-terminable rental agreements as at 31 December can be summarised as follows:

Amounts x EUR 1,000	2012	2011
Within 12 months	4,434	4,454
Beyond 12 months, but within 5 years	16,917	17,632
Beyond 5 years	10,123	13,406
Total	31,474	35,492

In 2012, the total expense arising from these rental agreements was EUR 4,620,000 (2011: EUR 4,684,000).

Other operational lease arrangements

The Group has concluded operational lease arrangements for several of its operating assets. The average term of those lease arrangements is 3-5 years; the contracts do not specify the possibility for renewal. The future minimum lease obligations stemming from these non-terminable lease arrangements as at 31 December can be summarised as follows:

Amounts x EUR 1,000	2012	2011
Within 12 months	1,060	1,067
Beyond 12 months, but within 5 years	1,290	1,525
Beyond 5 years	0	0
Total	2,350	2,592

In 2012, the total expense arising from these operational lease arrangements was EUR 1,183,000 (2011: EUR 1,104,000).

Claims

The Group is occasionally involved in legal proceedings as part of the normal course of its business. The outcome of those proceedings is not expected to have any significant impact on the Group's equity or results.

Contractual obligations

The Group has entered into a currency forward contract to sell USD 763,000 in euros during 2013, at a selling rate of EUR 0.76 per dollar.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments (besides derivatives) are bank loans and overdrafts and trade payables. The most important purpose of these financial instruments is to attract funding for the Group's operating activities. The Group possesses a range of financial assets, such as trade receivables and cash,

that stem directly from the operating activities The Group also enters into derivatives transactions on occasion.

The principal risks arising in connection with the Group's financial instruments are the market risk (interest rate risk on cash flows and currency risk), the liquidity risk and the credit risk. Management assesses and approves the policy for managing these risks (see the table below).

Market risk

The sensitivity analyses presented in the following sections are based on the assumption that the amount of the net debt, the ratio of fixed-interest to variable-interest borrowings and (as at 31 December 2011) derivatives and the proportion of derivatives denominated in foreign currencies remain constant, and on the designated hedges as at 31 December 2011.

The calculations for the sensitivity analyses are based on the following assumptions:

- The sensitivity of the balance sheet concerns derivatives
- The sensitivity of the income statement consists of the impact of the assumed changes in the relevant market risks, based on the financial assets and financial liabilities as at 31 December 2012 and 2011, including (for 2011) the effect of hedging instruments
- The sensitivity of equity is calculated using the effect of related cash flow hedges as at 31 December 2011 for the effects of assumed changes in the underlying values

Interest rate risk

The risk that the Group incurs as a result of fluctuations in market interest rates primarily pertains to the Group's bank overdrafts. The Group's policy is to manage its interest expense through a combination of floating-rate and fixed-rate borrowings. Property, plant and equipment have been financed in part by fixed-rate borrowings. For a summary of the interest rates, please refer to item 13 of the Notes.

Interest risk table

The table below shows the sensitivity of the Group's profit before tax (through the effect of bank overdrafts) to reasonable changes in the interest rates, assuming that all other variables remain constant. This has no material impact on the Group's equity.

	Rise/fall in base points	Effect on profit before tax (x EUR 1,000)
2012	+15	-26
	-10	17
2011	+15	-21
	-10	14

Currency risk

The Group is exposed to currency risks on transactions, which risks pertain to purchases and sales effected by business segments in other currencies than the functional currency.

The Group's policy focuses on maintaining the purchasing volumes in other currencies than the functional currency at approximately the same level as turnover in that currency. The Group also manages its currency risk by using currency forward contracts to hedge transactions with a high probability of being effected within 24 months.

As at 31 December 2011, the Group had hedged 100% of its purchases in foreign currencies for which transactions were highly probable as at the balance sheet date.

Exchange rate sensitivity

The table below shows the sensitivity of the Group's results before tax (through movements in the fair value of the monetary assets and liabilities) and equity (through movements in the fair value of currency forward contracts designated as cash flow hedges) to reasonable changes in the exchange rate for the US dollar, assuming that all other variables remain constant. Changes in the exchange rates for all other currencies have no material impact on the Group.

	Change in the USD exchange rate	Impact on results before tax (x EUR 1,000)	Impact on equity (x EUR 1,000)
2012	+10%	107	-252
	-10%	-117	278
2011	+10%	494	-317
	-10%	-543	355

The movement in the impact before tax stems from the movement in the fair value of monetary assets and liabilities, which are denominated in US dollars whereas the entity's functional currency is the euro.

The movement in equity stems from changes to the associates in China, which are recognised in US dollars, and, as at 31 December 2011, also from cash flow hedges.

Liquidity risk

The Group monitors its risk of having insufficient funds by frequently assessing its bank balances and the projected cash flows from the Group's operating activities.

The table below shows the maturity dates of the Group's financial obligations as at 31 December 2011, based on contractual, non-discounted payments.

As at 31 December 2012

Amounts x EUR 1,000	On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing borrowings and bank overdrafts	6,191	111	335	673	0	7,310
Trade and other payables	1,901	22,728	9,445	85	0	34,159
Total	8,092	22,839	9,780	758	0	41,469

As at 31 December 2011

Amounts x EUR 1,000	On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing borrowings and bank overdrafts	2,968	103	311	744	0	4,126
Trade and other payables	1,926	35,037	9,270	361	0	46,594
Total	4,894	35,140	9,581	1,105	0	50,720

For a list of interest-bearing borrowings, please refer to item 13 of the Notes.

Credit risk

The Group's policy is to subject all customers that wish to negotiate based on credit terms to credit verification procedures. All outstanding amounts are also continually monitored, to ensure that the Group does not incur any great risks from bad and doubtful debts. The Group also has credit insurance for virtually the entire debt portfolio. In addition, as at 31 December 2011, the Group possessed pledges on a client's receivables, to the amount of EUR 386,000. As at 31 December 2012, the Group no longer had any receivables outstanding from this client. The maximum credit risk incurred is the carrying amount shown in item 10 of the Notes.

Approximately 65% of the balance of outstanding trade receivables is concentrated among nine of the Group's clients. Since, however, guarantees have been provided for all those receivables, management believes that no extraordinary risks are present. In addition, no payment problems have occurred with those clients in the recent past.

For the Group's other financial assets, consisting of cash, the maximum credit risk incurred is the carrying amount of the cash in question.

Capital management

The primary purpose of the Group's capital management is to maintain a favourable credit rating and a healthy solvency in order to support the Group's operations and maximise shareholder value.

The Group manages its capital structure and alters it in response to changes in the economic climate. To maintain or adjust its capital structure, the Group can adjust its dividend payments to shareholders, repay capital to shareholders or issue new shares. The objectives, policies and processes did not undergo any changes during the 2012 and 2011 financial years.

The Group monitors its capital using its solvency ratio, which represents the guaranteed capital adjusted for deferred tax assets, goodwill and other 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 suppliers of bank overdrafts have laid down requirements with regard to the Group's capital management. Those covenants are set out in the credit agreements and are monitored periodically. Covenants have been agreed with the credit suppliers for such factors as the maximum debt/EBITDA ratio and the minimum guaranteed capital.

The suppliers define the guaranteed capital as the called-up and paid-in capital, plus reserves, deferred tax liabilities and receivables subordinated in relation to banks (and other parties), and less goodwill, other intangible assets, deferred tax assets, associates, receivables from shareholders and/or management and treasury shares.

Early in 2011, the Group entered into new credit agreements, raising the available credit facility from EUR 25 million to EUR 30 million. The interest rate was lowered to EURIBOR +1.35%. The minimum requirement for the interest coverage ratio was abolished. The other covenants agreed upon with the credit suppliers remain unchanged.

The adjusted guaranteed capital as at 31 December 2012 was 45.4% (31 December 2011: 41.2%). If and as long as that adjusted guaranteed capital is less than 35%, no profit may be distributed in any form whatsoever. The financial institutions also deem it necessary that the debt/EBITDA ratio (interest-bearing borrowings, including subordinated borrowings, divided by the earnings before interest, tax and depreciation and amortisation) be no more than 3.0. As at 31 December 2012, the Group is compliant with all these ratios.

Amounts x EUR 1,000	2012	2011
Equity attributable to the parent company	48,656	49,624
Less: Goodwill	-2,754	-2,754
Other intangible assets	0	-13
Deferred tax assets	-1,066	-1,830
Adjusted guaranteed capital	44,836	45,027
Balance sheet total	102,542	113,999
Less: Goodwill	-2,754	-2,754
Other intangible assets	0	-13
Deferred tax assets	-1,066	-1,830
Adjusted balance sheet total	98,722	109,402
Solvency	45.4%	41.2%

COMPANY FINANCIAL STATEMENTS (BEFORE PROFIT APPROPRIATION)

Assets x EUR 1,000 as at 31 December	Notes	2012	2011
Fixed assets			
Intangible assets	2	734	734
Financial assets			
Investments in subsidiaries	3	41,769	40,181
Receivables from subsidiaries	3	2,074	2,004
		43,843	42,185
Current assets			
Receivables			
Receivables from subsidiaries		12,467	13,087
Other receivables		81	84
		12,548	13,171
Cash		0	0
Total assets		57,125	56,090

Liabilities x EUR 1,000 as at 31 December	Notes	2012	2011
Equity	4		
Issued and paid-in capital		4,970	4,916
Share premium		29,943	29,990
Retained earnings		13,838	10,579
Profit for the financial year		-411	3,811
Statutory reserves		316	328
		48,656	49,624
Current liabilities			
Bank overdrafts		8,165	6,279
Other payables		304	187
Total equity and liabilities		57,125	56,090

Income statement

Amounts x EUR 1,000	2012	2011
Income from subsidiaries after tax	-358	3,553
Other income after tax	-53	258
Net result	-411	3,811

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. GENERAL

The financial statements of Neways Electronics International N.V. have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code, making use of the IFRS principles as adopted within the European Union and as applied in the consolidated financial statements. Subsidiaries are measured at net asset value.

Assets and liabilities are measured and results determined in accordance with the accounting principles as shown in the notes to the consolidated financial statements. As a result, Neways Electronics International N.V.'s equity and net results are identical to those as presented in the consolidated financial statements.

2. INTANGIBLE ASSETS

This item concerns the goodwill arising from the acquisition of the shares in Neways Slovakia a.s.

3. FINANCIAL ASSETS

Investments in subsidiaries

The movements in investments in subsidiaries can be summarised as follows:

Amounts x EUR 1,000	2012	2011
Balance as at 1 January	40,181	35,916
Movements		
Income from subsidiaries after tax	-358	3,553
Acquisitions	1,913	709
Exchange gains and losses	33	3
	1,588	4,265
Balance as at 31 December	41,769	40,181

Receivables from subsidiaries

The movements in receivables from subsidiaries can be summarised as follows:

Amounts x EUR 1,000	2012	2011
Balance as at 1 January	2,004	1,954
Movements		
Acquisitions	85	86
Repayments	0	0
Exchange gains and losses	-15	-36
	70	50
Balance as at 31 December	2,074	2,004

4. EQUITY

For the statement of changes in equity, please refer to the notes to the consolidated statement of changes in equity. The statutory reserves consist of:

Amounts x EUR 1,000	2012	2011
Cash flow hedges	0	30
Currency translation differences	316	298
Total	316	328

5. REMUNERATION OF THE BOARD OF DIRECTORS

For information about the remuneration of the Board of Directors, please refer to item 23 of the Notes to the consolidated financial statements.

6. AUDITOR'S FEES

The costs that Ernst & Young Accountants LLP charged for the audit during the financial year are EUR 116,000 (2011: EUR 142,000).

7. LIABILITIES NOT INCLUDED ON THE FACE OF THE BALANCE SHEET

The Company has declared itself liable, pursuant to Section 403, Book 2 of the Netherlands Civil Code, for debts arising from the juristic acts of its Dutch associates, with the exception of Evic Service & Repair Center B.V.

The Company has also agreed to provide financial support, if and insofar as such is necessary, to its German subsidiary Neways Deutschland GmbH.

The Group has issued bank guarantees to the amount of EUR 0.7 million (2011: EUR 0.3 million) in connection with credit provided by non-Dutch banks.

Son, 25 February 2013

Supervisory Board

Dick Boers
Wim van der Leegte
Henk Scheepers

Board of Directors

Vincent de Bok
Huub van der Vrande

OTHER INFORMATION

Independent auditor's report

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

Report on the financial statements

We have audited the accompanying financial statements 2012 of Neways Electronics International N.V., Son, the Netherlands, as set out on page 83 to page 128. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2012, the consolidated statement of total comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at December 31, 2012 and the company income statement for the year then ended, and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it deems necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Neways Electronics International N.V. as at December 31, 2012, 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 and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Neways Electronics International N.V. as at December 31, 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of examination whether the Report of the Board of Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Board of Directors, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Eindhoven, 25 February 2013

Ernst & Young Accountants LLP

Signed by M.J. Moolenaar RA

Events after the balance sheet date

During the first quarter of 2013, management decided to terminate the independent activities of the operating company in Echt. All activities, including all machinery, will be relocated and divided among the other operating companies making up the Group. According to the Group's projections, the one-time costs that will be charged against the results for the first quarter of 2013 will not exceed the savings on an annual basis. The Group is endeavouring to find alternative employment at other operating companies within the Group for as many of the 100 employees with contracts as possible.

Trade Register

The two-tier company is listed in the Trade Register of the East Brabant Chamber of Commerce in Eindhoven, under number 17036989.

Profit appropriation according to the Articles of Association

Article 31 of the Company's Articles of Association states that distributions of profits are possible to the extent that the Company's equity exceeds the amount of called-up and paid-in capital, plus the reserves required by law. The Board of Directors may, subject to the Supervisory Board's prior approval, add some or all of the profits to the reserves. The profits not added to the reserves are at the disposal of the General Meeting of Shareholders. The General Meeting of Shareholders may decide, based on a proposal presented by the Board of Directors and approved by the Supervisory Board, to distribute profits from any reserves that are available for distribution. The General Meeting of Shareholders may decide, based on a proposal presented by the Board of Directors and approved by the Supervisory Board, to distribute profits in the form of shares in the Company, without prejudice to the provisions laid down in the Company's Articles of Association governing issuances of shares.

Proposed appropriation of the profit

The income statement shows that the net loss for 2012 was EUR 411,000.

The Board of Directors proposes that the net loss be deducted from the retained earnings. This proposal is reflected in the financial statements. The Board of Directors also proposes that a dividend of EUR 0.012 per share be distributed for the 2012 financial year. The dividend will be paid in cash.

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